

By Mr. POLK: A bill (H. R. 8777) granting an increase of pension to Sallie A. Guthrie; to the Committee on Invalid Pensions.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

3674. By Mr. GAMBLE: Petition of Frank Colao and other residents of White Plains and East White Plains, N. Y., imploring the Congress to keep the United States out of foreign entanglements, and especially to avoid any trouble with the Government of Japan; to the Committee on Foreign Affairs.

3675. Petition of Mr. and Mrs. Herman Lindhjem and other residents in Valhalla, N. Y., urging a reduction in the interest rate on mortgages held by the Home Owners' Loan Corporation; to the Committee on Banking and Currency.

3676. By Mr. HART: Petition of the Hudson County Railroad Smoke Association of Jersey City, N. J., urging that rate increases be given the railroads; to the Committee on Interstate and Foreign Commerce.

3677. By Mr. RICH: Petition of the Local Union No. 862, Brotherhood of Railroad Trainmen, of Williamsport, Pa., favoring the Black-Connery labor bill; to the Committee on Labor.

3678. By Mr. THOMAS of New Jersey: Petition of 75 residents of Garfield, N. J., urging the passage of the Ludlow war referendum (H. J. Res. 199); to the Committee on the Judiciary.

3679. By the SPEAKER: Petition of the Associated Commercial Clubs of the Black Hills of South Dakota and Wyoming, Sturgis, S. Dak., petitioning consideration of their resolution dated August 27, 1937; to the Committee on Military Affairs.

SENATE

TUESDAY, DECEMBER 21, 1937

(Legislative day of Tuesday, November 16, 1937)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

THE JOURNAL

On request of Mr. BARKLEY, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day Monday, December 20, 1937, was dispensed with, and the Journal was approved.

MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States, submitting nominations, were communicated to the Senate by Mr. Latta, one of his secretaries.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Chaffee, one of its reading clerks, announced that the House had passed the bill (S. 3114) to extend the times for commencing and completing the construction of a bridge across the Tennessee River between Colbert County and Lauderdale County, Ala., with amendments, in which it requested the concurrence of the Senate.

ENROLLED JOINT RESOLUTION SIGNED

The message also announced that the Speaker had affixed his signature to the enrolled joint resolution (S. J. Res. 67) conferring jurisdiction upon the Court of Claims to hear and determine the claim of the estate of John F. Hackfeld, deceased, and it was signed by the President pro tempore.

TENNESSEE RIVER BRIDGE, ALABAMA

The VICE PRESIDENT laid before the Senate the amendments of the House of Representatives to the bill (S. 3114) to extend the times for commencing and completing the construction of a bridge across the Tennessee River between Colbert County and Lauderdale County, Ala., which were, on page 2, line 2, after "1934", to insert "and extended August 23, 1935, and May 1, 1936"; and on page 2, line 3, after "hereby", insert "further."

Mrs. GRAVES. I move that the Senate concur in the House amendments.

The motion was agreed to.

CALL OF THE ROLL

Mr. MINTON. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

| | | | |
|--------------|----------------|-------------|---------------|
| Adams | Dieterich | La Follette | Pope |
| Andrews | Donahay | Lodge | Radcliffe |
| Ashurst | Duffy | Logan | Reynolds |
| Austin | Ellender | Loung | Russell |
| Bailey | Frazier | Lundeen | Schwartz |
| Bankhead | George | McAdoo | Schwellenbach |
| Barkley | Gerry | McCarran | Sheppard |
| Borah | Gibson | McGill | Shipstead |
| Bridges | Graves | McKellar | Smathers |
| Brown, N. H. | Green | McNary | Steiwer |
| Bulkeley | Guffey | Maloney | Thomas, Okla. |
| Bulow | Hale | Miller | Thomas, Utah |
| Burke | Harrison | Minton | Vandenberg |
| Byrd | Hatch | Murray | Van Nuys |
| Capper | Hayden | Neely | Wagner |
| Caraway | Herring | Norris | Walsh |
| Chavez | Hitchcock | Nye | Wheeler |
| Connally | Holt | O'Mahoney | White |
| Copeland | Johnson, Colo. | Pepper | |
| Davis | King | Pittman | |

Mr. MINTON. I announce that the Senator from Delaware [Mr. HUGHES] is absent because of illness.

The Senator from Tennessee [Mr. BERRY], the Senator from Mississippi [Mr. BILBO], the Senator from Washington [Mr. BONE], the Senator from Michigan [Mr. BROWN], the junior Senator from South Carolina [Mr. BYRNES], the senior Senator from Missouri [Mr. CLARK], the Senator from Iowa [Mr. GILLETTE], the Senator from Virginia [Mr. GLASS], the Senator from Oklahoma [Mr. LEE], the Senator from Illinois [Mr. LEWIS], the Senator from New Jersey [Mr. MOORE], the Senator from Louisiana [Mr. OVERTON], the senior Senator from South Carolina [Mr. SMITH], the junior Senator from Missouri [Mr. TRUMAN], and the Senator from Maryland [Mr. TYDINGS] are necessarily detained from the Senate.

Mr. AUSTIN. I announce that the Senator from Delaware [Mr. TOWNSEND] is absent because of illness in his family.

The VICE PRESIDENT. Seventy-eight Senators have answered to their names. A quorum is present.

TRIBUTE TO ADMIRAL DEWEY AND OTHER VERMONT NAVAL OFFICERS

Mr. AUSTIN. Mr. President, I ask unanimous consent to have printed in the RECORD a letter addressed to me by the Honorable Josephus Daniels, United States Ambassador to Mexico. Mr. Daniels was Secretary of the Navy in the Cabinet of President Wilson from March 5, 1913, to March 6, 1921. His letter attests the eminent services of Admiral Dewey not only as an able and outstanding officer of the Navy but also as a distinguished statesman. He also refers to other distinguished officers of the Navy who were born in Vermont and to Hon. Charles H. Darling, of Burlington, Vt., who was Assistant Secretary of the Navy from 1901 to 1905. I should like to have their service glorified in this manner.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

THE FOREIGN SERVICE OF THE
UNITED STATES OF AMERICA,
AMERICAN EMBASSY,
Mexico, December 15, 1937.

The Honorable WARREN R. AUSTIN,
United States Senate, Washington, D. C.

DEAR SENATOR: It gave me very great pleasure to read in the CONGRESSIONAL RECORD of December 1 your tribute to Admiral Dewey, who was my best friend and chief adviser in the years when I was Secretary of the Navy, before we entered the World War.

As you point out, Admiral Dewey, then commodore, was the first naval statesman to appreciate when we entered the War with Spain that the most dynamic blow against Spain could be struck in the far-away Philippines. While other admirals and captains were for high command in the Caribbean, where the chief interest in the war centered, Dewey had the vision to see that breaking the power of Spain in the Philippines would lead to the perfect victory, which came later.

When he sailed away, most Americans thought, if they thought at all, that Dewey's ships were virtually interned in the Far East for the duration of the war. He knew better, and the result

proved his stand as well as his statesmanship. Of the latter, few Americans knew enough of him to appreciate his high rank in peace as well as in war. He was no imperialist, but a straight-out American of the old school. He was not among those who wished to annex the Philippines. He believed they were as capable of self-government as the Cubans.

True to the tradition of the Navy, he left the fixing of the policy in the Philippines wholly to civil administrators, doing nothing in the Philippines but holding the rudder true till the President and Congress determined upon the policy of his country toward the Philippine Islands. In that he was true to the American naval tradition, as to the duties of the armed forces of the country, a principle which was set forth most clearly by an able Assistant Secretary of the Navy, Charles H. Darling, of Vermont, in a letter to the chairman of the Naval Affairs Committee in 1904.

I do not think anyone has made a clearer and more able study of the American policies as relating to the Navy than Mr. Darling of your State. I not only had admiration of Admiral Dewey's ability but I never knew a more charming gentleman. Upon one occasion, speaking to the graduates of the Naval Academy, I advised each one of them to get a hero, and I gave reasons why they should select Admiral Dewey.

Vermont's contribution to the Navy not only included Assistant Secretary Darling and Admiral Dewey but also Admiral Clark, who, at the beginning of the Spanish-American War, navigated the famous *Oregon* around South America and brought it to the Caribbean in time to make it a valued addition to the American Fleet. He was one of the best of the American admirals. Not long after my appointment as Secretary of the Navy it was my duty to name a new member of the Council of Aides, and, after making a careful study of all the admirals eligible for such a designation, I selected Admiral Harry T. Mayo, a native of Vermont, and later advanced him to be Commander in Chief of all the American Naval Forces, and he held this position before and during the entire World War. His services deserve the highest commendation of his countrymen.

My admiration for Admiral Dewey and other Vermont naval leaders is such that I could not resist the temptation to write and express my gratification that you had called attention to Admiral Dewey's greatness, so that the younger generation would know that he deserves to be ranked among the greatest naval heroes of the country.

With sentiments of esteem and high regard, I am,

Sincerely yours,

JOSEPHUS DANIELS.

PETITIONS AND MEMORIALS

Mr. MALONEY presented resolutions of the C. I. O. City Council of Bridgeport, Conn., favoring the making of substantially increased appropriations for the W. P. A. and other relief agencies, which were referred to the Committee on Appropriations.

Mr. RADCLIFFE (for Mr. TYDINGS) presented a memorial of sundry citizens of Cumberland, Md., remonstrating against the levying of any excise or processing taxes on primary food products, which was referred to the Committee on Agriculture and Forestry.

Mr. COPELAND presented a resolution adopted by a meeting of employers and retail merchants of Troy, N. Y., favoring the enactment of legislation to remove tax and other restrictions operating adversely to business enterprise, which was referred to the Committee on Finance.

He also presented a resolution adopted by the League of Women Voters of Mount Vernon, N. Y., protesting against the enactment of the bill (S. 3022) to amend the law relating to appointment of postmasters, which was ordered to lie on the table.

He also presented letters in the nature of memorials from Lake Keuka Chapter No. 120, Izaak Walton League of America, of Penn Yan, and Newfane Grange, No. 1159, Patrons of Husbandry, of Newfane, both in the State of New York, remonstrating against the enactment of legislation to transfer the Forest Service and other agencies of the Department of Agriculture to the Department of the Interior, which were ordered to lie on the table.

VIOLATIONS OF FREE SPEECH AND RIGHTS OF LABOR—INDUSTRIAL ESPIONAGE (REPT. NO. 46, PT. 3)

Mr. LA FOLLETTE. Mr. President, I ask unanimous consent to submit a report on behalf of the subcommittee of the Committee on Education and Labor created under Senate Resolution 266 (74th Cong.), dealing with one phase of its investigation—industrial espionage.

The VICE PRESIDENT. Without objection, the report will be received and printed with an illustration.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. COPELAND:

A bill (S. 3155) to extend the provisions of an act entitled "An act placing certain noncommissioned officers in the first grade," approved March 3, 1927; to the Committee on Military Affairs.

By Mr. LONERGAN:

A bill (S. 3156) to authorize the coinage of 50-cent pieces in commemoration of the three hundredth anniversary of the founding of the New Haven Colony, then consisting of the towns of New Haven, Milford, Branford, Guilford, and Stamford, Conn., and Southold, Long Island; to the Committee on Banking and Currency.

JAPAN'S ORIENTAL POLICY—SPEECH BY SENATOR PITTMAN

[Mr. HATCH asked and obtained leave to have printed in the RECORD a speech delivered in the Senate on Monday, February 10, 1936, by Senator PITTMAN on the subject of Japan's Oriental Policy, which appears in the Appendix.]

FEDERAL INCORPORATION LAW—ADDRESS BY SENATOR O'MAHONEY

[Mr. WAGNER asked and obtained leave to have printed in the RECORD a radio address on the proposed Federal incorporation law delivered by Senator O'MAHONEY on Sunday, December 19, 1937, which appears in the Appendix.]

FEDERAL INCORPORATION—ADDRESS BY WILLIAM B. WARNER

[Mr. O'MAHONEY asked and obtained leave to have printed in the RECORD a radio address by William B. Warner on the subject of Federal Incorporation delivered on Sunday, December 12, 1937, which appears in the Appendix.]

THE POSTAL SERVICE—ADDRESS BY JAMES A. FARLEY

[Mr. BULKLEY asked and obtained leave to have printed in the RECORD an address on the postal service, delivered by Hon. James A. Farley at the convention of the National Federation of Post Office Clerks in Toledo, Ohio, September 7, 1937, which appears in the Appendix.]

BRITISH WAR DEBTS

[Mr. WALSH asked and obtained leave to have printed in the RECORD an article by Senator SHIPSTEAD and an editorial appearing in the Washington Times of December 17 on the subject of British War Debts, which appear in the Appendix.]

POWER TRUCE—STATEMENT BY ADMINISTRATOR OF BONNEVILLE PROJECT

[Mr. SCHWELLENBACH asked and obtained leave to have printed in the RECORD an article entitled "Power Truce as Administrator of Bonneville Project Sees It," which appears in the Appendix.]

ELIHU ROOT—ADDRESS BY NICHOLAS MURRAY BUTLER

[Mr. WAGNER asked and obtained leave to have printed in the RECORD an address on the late Elihu Root delivered by Dr. Nicholas Murray Butler, November 12, 1937, which appears in the Appendix.]

ADDRESS BY DR. JAMES R. ANGELL BEFORE CONFERENCE ON EDUCATIONAL BROADCASTING

[Mr. WHITE asked and obtained leave to have printed in the RECORD an address delivered by Dr. James R. Angell before the Second National Conference on Educational Broadcasting at Chicago, Ill., December 1, 1937, which appears in the Appendix.]

AMERICAN FORCES IN THE ORIENT

[Mr. REYNOLDS asked and obtained leave to have printed in the RECORD an article from the Washington Herald of December 21, 1937, relative to the maintenance of American forces in the Orient, which appears in the Appendix.]

NATIONAL HOUSING PROGRAM

The VICE PRESIDENT. According to the debate, as reported in the CONGRESSIONAL RECORD of yesterday, the anti-lynching bill was evidently postponed for the purpose of considering the so-called housing bill of which the Chair understands the Senator from New York [Mr. WAGNER] is in charge. The Chair recognizes the Senator from New York.

Mr. WAGNER. I move that the Senate proceed to the consideration of House Bill 8730, the so-called housing bill.

The VICE PRESIDENT. The question is on the motion of the Senator from New York.

The motion was agreed to; and the Senate proceeded to consider the bill (H. R. 8730) to amend the National Housing Act, and for other purposes, which had been reported from the Committee on Banking and Currency with an amendment to strike out all after the enacting clause and insert:

That this act may be cited as the "National Housing Act amendments of 1937."

SEC. 2. Title II of the National Housing Act, as amended, is amended to read as follows:

"TITLE II—MORTGAGE INSURANCE"

"DEFINITIONS"

"Sec. 201. As used in section 203 of this title—

"(a) The term 'mortgage' means a first mortgage on real estate, in fee simple, or on a leasehold (1) under a lease for not less than 99 years which is renewable or (2) under a lease having a period of not less than 50 years to run from the date the mortgage was executed; and the term 'first mortgage' means such classes of first liens as are commonly given to secure advances on, or the unpaid purchase price of, real estate, under the laws of the State, district, or Territory in which the real estate is located, together with the credit instruments, if any, secured thereby.

"(b) The term 'mortgagee' includes the original lender under a mortgage, and his successors and assigns approved by the Administrator; and the term 'mortgagor' includes the original borrower under a mortgage and his successors and assigns.

"(c) The term 'maturity date' means the date on which the mortgage indebtedness would be extinguished if paid in accordance with periodic payments provided for in the mortgage.

"MUTUAL MORTGAGE INSURANCE FUND"

"Sec. 202. There is hereby created a mutual mortgage insurance fund (hereinafter referred to as the 'fund'), which shall be used by the Administrator as a revolving fund for carrying out the provisions of this title with respect to mortgages insured under section 203 as hereinafter provided, and there shall be allocated immediately to such fund the sum of \$10,000,000 out of funds made available to the Administrator for the purposes of this title.

"INSURANCE OF MORTGAGES"

"Sec. 203. (a) The Administrator is authorized, upon application by the mortgagee, to insure as hereinafter provided any mortgage offered to him which is eligible for insurance as hereinafter provided, and upon such terms as the Administrator may prescribe, to make commitments for the insuring of such mortgages prior to the date of their execution or disbursement thereon: *Provided*, That the aggregate amount of principal obligations of all mortgages insured under this title and outstanding at any one time shall not exceed \$2,000,000,000, except that with the approval of the President such aggregate amount may be increased to not to exceed \$3,000,000,000: *Provided further*, That on and after July 1, 1939, no mortgages shall be insured under this title except mortgages (1) that cover property which is approved for mortgage insurance prior to the completion of the construction of such property, or (2) that cover property the construction of which was commenced after January 1, 1937, and was completed prior to July 1, 1939, or (3) that cover property which has been previously covered by a mortgage insured by the Administrator.

"(b) To be eligible for insurance under this section a mortgage shall—

"(1) Have been made to, and be held by, a mortgagee approved by the Administrator as responsible and able to service the mortgage properly.

"(2) Involve a principal obligation (including such initial service charges, appraisal, inspection, and other fees as the Administrator shall approve) in an amount—

"(A) not to exceed \$16,000 and not to exceed 80 percent of the appraised value (as of the date the mortgage is accepted for insurance) of a property upon which there is located a dwelling or dwellings designed principally for residential use for not more than four families in the aggregate, irrespective of whether such dwelling or dwellings have a party wall or are otherwise physically connected with another dwelling or dwellings, or

"(B) not to exceed \$5,400 and not to exceed 90 percent of the appraised value (as of the date the mortgage is accepted for insurance) of a property upon which there is located a dwelling designed principally for a single-family residence (1) the construction of which is begun after the date of enactment of the National Housing Act Amendments of 1937 and which is approved for mortgage insurance prior to the beginning of construction, or (2) the construction of which was begun after January 1, 1937, and prior to the date of enactment of the National Housing Act Amendments of 1937, and which has not been sold or occupied since completion: *Provided*, That with respect to mortgages insured under this paragraph the mortgagor shall be the owner and occupant of the property at the time of the insurance and shall have paid on account of the property at least 10 percent of the appraised value in cash or its equivalent, or

"(C) not to exceed \$8,600, and not to exceed the sum of (1) 90 percent of \$6,000 of the appraised value (as of the date the mortgage is accepted for insurance) and (2) 80 percent of such value in excess of \$6,000 and not in excess of \$10,000, of a property of the character described in paragraph (2) (B) of this subsection and subject to the same limitations and conditions which apply to such property: *Provided*, That after July 1, 1942, no mortgage shall be accepted for insurance under this paragraph or paragraph (2) (B).

"(3) Have a maturity satisfactory to the Administrator, but not to exceed 20 years from the date of the insurance of the mortgage: *Provided*, That until July 1, 1939, a mortgage of the character described in paragraph (2) (B) of this subsection shall be eligible for insurance under this section if it has a maturity satisfactory to the Administrator, but not to exceed 25 years from the date of the insurance of the mortgage.

"(4) Contain complete amortization provisions satisfactory to the Administrator requiring periodic payments by the mortgagor not in excess of his reasonable ability to pay as determined by the Administrator.

"(5) Bear interest (exclusive of premium charges for insurance) at not to exceed 5 percent per annum on the amount of the principal obligation outstanding at any time, or not to exceed 6 percent per annum if the Administrator finds that in certain areas or under special circumstances the mortgage market demands it.

"(6) Provide, in a manner satisfactory to the Administrator, for the application of the mortgagor's periodic payments (exclusive of the amount allocated to interest and to the premium charge which is required for mortgage insurance as hereinafter provided) to amortization of the principal of the mortgage.

"(7) Contain such terms and provisions with respect to insurance, repairs, alterations, payment of taxes, default reserves, delinquency charges, foreclosure proceedings, anticipation of maturity, additional and secondary liens, and other matters as the Administrator may in his discretion prescribe.

"(c) The Administrator is authorized to fix a premium charge for the insurance of mortgages under this title, but in the case of any mortgage such charge shall not be less than an amount equivalent to one-half of 1 percent per annum nor more than an amount equivalent to 1 percent per annum of the amount of the principal obligation of the mortgage outstanding at any time, without taking into account delinquent payments or prepayments, except that as to any mortgage described in section 203 (b) (2) (B) and accepted for insurance prior to July 1, 1939, the premium charge shall be one-fourth of 1 percent per annum on such outstanding principal obligation. Such premium charges shall be payable by mortgagee, either in cash, or in debentures issued by the Administrator under this title at par plus accrued interest, in such manner as may be prescribed by the Administrator: *Provided*, That the Administrator may require the payment of one or more such premium charges at the time the mortgage is insured, at such discount rate as he may prescribe not in excess of the interest rate specified in the mortgage: *Provided*, That such premium charges shall also be applicable to mortgages insured prior to the date of enactment of the National Housing Act amendments of 1937, and all such premium charges which become due after such date shall be computed accordingly. If the Administrator finds upon the presentation of a mortgage for insurance and the tender of the initial premium charge or charges so required that the mortgage complies with the provisions of this section, such mortgage may be accepted for insurance by endorsement or otherwise as the Administrator may prescribe; but no mortgage shall be accepted for insurance under this section unless the Administrator finds that the project with respect to which the mortgage is executed is economically sound. In the event that the principal obligation of any mortgage accepted for insurance under this section is paid in full prior to the maturity date, the Administrator is further authorized in his discretion to require the payment by the mortgagee of an adjusted premium charge in such amount as the Administrator determines to be equitable, but not in excess of the aggregate amount of the premium charges that the mortgagee would otherwise have been required to pay if the mortgage had continued to be insured under this section until such maturity date; and in the event that the principal obligation is paid in full as herein set forth and a mortgage on the same property is accepted for insurance at the time of such payment, the Administrator is authorized to refund to the mortgagee for the account of the mortgagor all, or such portion as he shall determine to be equitable, of the current unearned premium charges theretofore paid.

"PAYMENT OF INSURANCE"

"Sec. 204. (a) In any case in which the mortgagee under a mortgage insured under section 203 or section 210 shall have foreclosed and taken possession of the mortgaged property in accordance with regulations of, and within a period to be determined by, the Administrator, or shall, with the consent of the Administrator, have otherwise acquired such property from the mortgagor after default, the mortgagee shall be entitled to receive the benefit of the insurance as hereinafter provided, upon (1) the prompt conveyance to the Administrator of title to the property which meets the requirements of rules and regulations of the Administrator in force at the time the mortgage was insured, and which is evidenced in the manner prescribed by such rules and regulations, and (2) the assignment to him of all claims of the mortgagee against the mortgagor or others, arising out of the mortgage transaction or foreclosure proceedings, except such claims as may have been released with the consent of the Administrator. Upon such conveyance and assignment the obligation of the mortgagee to pay

the premium charges for insurance shall cease and the Administrator shall, subject to the cash adjustment hereinafter provided, issue to the mortgagee debentures having a total face value equal to the value of the mortgage and a certificate of claim, as hereinafter provided. For the purposes of this subsection, the value of the mortgage shall be determined, in accordance with rules and regulations prescribed by the Administrator, by adding to the amount of the original principal obligation of the mortgage which was unpaid on the date of the institution of foreclosure proceedings, or on the date of the acquisition of the property after default other than by foreclosure, the amount of all payments which have been made by the mortgagee for taxes, special assessments, water rates, which are liens prior to the mortgage, insurance on the property mortgaged, and any mortgage insurance premiums paid after either of such dates, and by deducting from such total amount any amount received on account of the mortgage after either of such dates, and any amount received as rent or other income from the property, less reasonable expenses incurred in handling the property, after either of such dates: *Provided*, That with respect to mortgages which are accepted for insurance prior to July 1, 1939, under section 203 (b) (2) (B) of this act, and which are foreclosed before there shall have been paid on account of the principal obligation of the mortgage a sum equal to 10 percent of the appraised value of the property as of the date the mortgage was accepted for insurance, there may be included in the debentures issued by the Administrator, on account of foreclosure costs actually paid by the mortgagee and approved by the Administrator an amount not in excess of 2 percent of the unpaid principal of the mortgage as of the date of the institution of foreclosure proceedings, but in no event in excess of \$75.

"(b) The Administrator may at any time, under such terms and conditions as he may prescribe, consent to the release of the mortgagor from his liability under the mortgage or the credit instrument secured thereby, or consent to the release of parts of the mortgaged property from the lien of the mortgage.

"(c) Debentures issued under this section shall be in such form and denominations in multiples of \$50, shall be subject to such terms and conditions, and shall include such provisions for redemption, if any, as may be prescribed by the Administrator with the approval of the Secretary of the Treasury, and may be in coupon or registered form. Any difference between the value of the mortgage determined as herein provided and the aggregate face value of the debentures issued, not to exceed \$50, shall be adjusted by the payment of cash by the Administrator to the mortgagee from the fund as to mortgages insured under section 203 and from the housing fund as to mortgages insured under section 210.

"(d) The debentures issued under this section to any mortgagee with respect to mortgages insured under section 203 shall be executed in the name of the Mutual Mortgage Insurance Fund as obligor, shall be signed by the Administrator by either his written or engraved signature, and shall be negotiable and the debentures issued under this section to any mortgagee with respect to mortgages insured under section 210 shall be executed in the name of the Housing Insurance Fund as obligor, shall be signed by the Administrator by either his written or engraved signature, and shall be negotiable. All such debentures shall be dated as of the date foreclosure proceedings were instituted, or the property was otherwise acquired by the mortgagee after default, and shall bear interest from such date at a rate determined by the Administrator, with the approval of the Secretary of the Treasury, at the time the mortgage was offered for insurance, but not to exceed 3 percent per annum, payable semiannually on the 1st day of January and the 1st day of July of each year, and shall mature 3 years after the 1st day of July following the maturity date of the mortgage on the property in exchange for which the debentures were issued. Such debentures as are issued in exchange for property covered by mortgages insured under section 203 or section 207 prior to the date of enactment of the National Housing Act amendments of 1937 shall be subject only to such Federal, State, and local taxes as the mortgages in exchange for which they are issued would be subject to in the hands of the holder of the debentures and shall be a liability of the fund only, and such debentures shall be fully guaranteed as to principal and interest by the United States; but any mortgagee entitled to receive any such debentures may elect to receive in lieu thereof a cash adjustment and debentures issued as hereinafter provided and bearing the current rate of interest. Such debentures as are issued in exchange for property covered by mortgages insured after the date of enactment of the National Housing Act amendments of 1937 shall be exempt, both as to principal and interest, from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority. They shall be paid out of the fund, or the housing fund, as the case may be, which shall be primarily liable therefor, and they shall be fully and unconditionally guaranteed as to principal and interest by the United States, and such guaranty shall be expressed on the face of the debentures. In the event that the fund or the housing fund fails to pay upon demand, when due, the principal of or interest on any debentures so guaranteed, the Secretary of the Treasury shall pay to the holders the amount thereof which is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, and thereupon to the extent of the amount so paid the Secretary of the Treasury shall succeed to all the rights of the holders of such debentures.

"(e) The certificate of claim issued by the Administrator to any mortgagee shall be for an amount which the Administrator determines to be sufficient, when added to the face value of the debentures issued and the cash adjustment paid to the mortgagee, to equal the amount which the mortgagee would have received if, at the time of the conveyance to the Administrator of the property covered by the mortgage, the mortgagor had redeemed the property and paid in full all obligations under the mortgage and those arising out of the foreclosure proceedings. Each such certificate of claim shall provide that there shall accrue to the holder of such certificate with respect to the face amount of such certificate, an increment at the rate of 3 percent per annum. The amount to which the holder of any such certificate shall be entitled shall be determined as provided in subsection (f).

"(f) If the net amount realized from any property conveyed to the Administrator under this section and the claims assigned therewith, after deducting all expenses incurred by the Administrator in handling, dealing with, and disposing of such property and in collecting such claims, exceeds the face value of the debentures issued and the cash paid in exchange for such property plus all interest paid on such debentures, such excess shall be divided as follows:

"(1) If such excess is greater than the total amount payable under the certificate of claim issued in connection with such property, the Administrator shall pay to the holder of such certificate the full amount so payable, and any excess remaining thereafter shall be paid to the mortgagor of such property; and

"(2) If such excess is equal to or less than the total amount payable under such certificate of claim, the Administrator shall pay to the holder of such certificate the full amount of such excess.

"(g) Notwithstanding any other provision of law relating to the acquisition, handling, or disposal of real property by the United States, the Administrator shall have power to deal with, complete, rent, renovate, modernize, insure, or sell for cash or credit, in his discretion, any properties conveyed to him in exchange for debentures and certificates of claim as provided in this section; and notwithstanding any other provision of law, the Administrator shall also have power to pursue to final collection, by way of compromise or otherwise, all claims against mortgagors assigned by mortgagees to the Administrator as provided in this section: *Provided*, That section 3709 of the Revised Statutes shall not be construed to apply to any contract for hazard insurance, or to any purchase or contract for services or supplies on account of such property if the amount thereof does not exceed \$1,000.

"(h) No mortgagee or mortgagor shall have, and no certificate of claim shall be construed to give to any mortgagee or mortgagor, any right or interest in any property conveyed to the Administrator or in any claim assigned to him; nor shall the Administrator owe any duty to any mortgagee or mortgagor with respect to the handling or disposal of any such property or the collector of any such claim.

"CLASSIFICATION OF MORTGAGES AND REINSURANCE FUND

"Sec. 205. (a) Mortgages accepted for insurance under section 203 shall be classified into groups in accordance with sound actuarial practice and risk characteristics. Premium charges, adjusted premium charges, and appraisal and other fees received on account of the insurance of any such mortgage, the receipts derived from the property covered by the mortgage and claims assigned to the Administrator in connection therewith and all earnings on the assets of the group account shall be credited to the account of the group to which the mortgage is assigned. The principal of and interest paid and to be paid on debentures issued in exchange for property conveyed to the Administrator under section 204 in connection with mortgages insured under section 203, payments made or to be made to the mortgagee and the mortgagor as provided in section 204, and expenses incurred in the handling of the property covered by the mortgage and in the collection of claims assigned to the Administrator in connection therewith, shall be charged to the account of the group to which such mortgage is assigned.

"(b) The Administrator shall also provide, in addition to the several group accounts, a general reinsurance account, the credit in which shall be available to cover charges against such group accounts where the amounts credited to such accounts are insufficient to cover such charges. General expenses of operation of the Federal Housing Administration under this title with respect to mortgages insured under section 203 may be allocated in the discretion of the Administrator among the several group accounts or charged to the general reinsurance account, and the amount allocated to the fund under section 202 shall be credited to the general reinsurance account; except that any expenses incurred with respect to mortgages described in section 203 (b) (2) (B) shall be charged to the general reinsurance account.

"(c) The Administrator shall terminate the insurance as to any group of mortgages (1) when he shall determine that the amounts to be distributed as hereinafter set forth to each mortgagee under an outstanding mortgage assigned to such group are sufficient to pay off the unpaid principal of each such mortgage, or (2) when all the outstanding mortgages in any group have been paid. Upon such termination the Administrator shall charge to the group account the estimated losses arising from transactions relating to that group, shall transfer to the general reinsurance account an amount equal to 10 percent of the total premium charges theretofore credited to such group account, and shall dis-

tribute to the mortgagees for the benefit and account of the mortgagors of the mortgages assigned to such group the balance remaining in such group account. Any such distribution to mortgagees shall be made equitably and in accordance with sound actuarial and accounting practice.

"(d) No mortgagor or mortgagee of any mortgage insured under section 203 shall have any vested right in a credit balance in any such account, or be subject to any liability arising out of the mutuality of the fund, and the determination of the Administrator as to the amount to be paid by him to any mortgagee or mortgagor shall be final and conclusive.

"(e) In the event that any mortgagee under a mortgage insured under section 203 forecloses on the mortgaged property but does not convey such property to the Administrator in accordance with section 204, and the Administrator is given written notice thereof, or in the event that the mortgagor pays the obligation under the mortgage in full prior to the maturity thereof, and the mortgagee pays any adjusted premium charge required under the provisions of section 203 (c), and the Administrator is given written notice of such payment by the mortgagor, the obligation to pay any subsequent premium charge for insurance shall cease, and all rights of the mortgagee and the mortgagor under section 204 shall terminate as of the date of such notice. Upon such termination the mortgagor shall be entitled to receive a share of the credit balance of the group account to which the mortgage has been assigned in such amount as the Administrator shall determine to be equitable and not inconsistent with the solvency of the group account and of the fund.

"INVESTMENT OF FUNDS

"Sec. 206. Moneys in the fund not needed for the current operations of the Federal Housing Administration shall be deposited with the Treasurer of the United States to the credit of the fund, or invested in bonds or other obligations of, or in bonds or other obligations guaranteed as to principal and interest by the United States. The Administrator may, with the approval of the Secretary of the Treasury, purchase in the open market debentures issued under the provisions of section 204. Such purchases shall be made at a price which will provide an investment yield of not less than the yield obtainable from other investments authorized by this section. Debentures so purchased shall be canceled and not reissued, and the several group accounts to which such debentures have been charged shall be charged with the amounts used in making such purchases.

"RENTAL HOUSING INSURANCE

"Sec. 207. (a) As used in this section—

"(1) The term 'mortgage' means a first mortgage on real estate in fee simple, or on the interest of either the lessor or lessee thereof (A) under a lease for not less than 99 years which is renewable or (B) under a lease having a period of not less than 50 years to run from the date the mortgage was executed, upon which there is located or upon which there is to be constructed a building or buildings designed principally for residential use; and the term 'first mortgage' means such classes of first liens as are commonly given to secure advances (including but not being limited to advances during construction) on, or the unpaid purchase price of, real estate under the laws of the State, district, or Territory in which the real estate is located, together with the credit instrument or instruments, if any, secured hereby, and may be in the form of trust mortgages or mortgage indentures or deeds of trust securing notes, bonds, or other credit instruments.

"(2) The term 'mortgagee' means the original lender under a mortgage, and its successors and assigns, and includes the holders of credit instruments issued under a trust mortgage or deed of trust pursuant to which such holders act by and through a trustee therein named.

"(3) The term 'mortgagor' means the original borrower under a mortgage and its successors and assigns.

"(4) The term 'maturity date' means the date on which the mortgage indebtedness would be extinguished if paid in accordance with the periodic payments provided for in the mortgage.

"(5) The term 'slum or blighted area' means any area where dwellings predominate which, by reason of dilapidation, overcrowding, faulty arrangement or design, lack of ventilation, light, or sanitation facilities, or any combination of these factors, are detrimental to safety, health, or morals.

"(6) The term 'rental housing' means housing the occupancy of which is permitted by the owner thereof in consideration of the payment of agreed charges, whether or not, by the terms of the agreement, such payment over a period of time will entitle the occupant to the ownership of the premises.

"(b) In addition to mortgages insured under section 203, the Administrator is authorized to insure mortgages as defined in this section which cover property held by—

"(1) Federal or State instrumentalities, municipal corporate instrumentalities of one or more States, or limited dividend corporations formed under and restricted by Federal or State housing laws as to rents, charges, capital structure, rate of return, or methods of operation; or

"(2) Private corporations, associations, or trusts formed or created for the purpose of rehabilitating slum or blighted areas, or providing housing for rent or sale, and which possess powers necessary therefor and incidental thereto, and which, until the termination of all obligations of the Administrator under such insurance, are regulated or restricted by the Administrator as to rents or sales, charges, capital structure, rate of return, and methods

of operation to such extent and in such manner as to provide reasonable rentals to tenants and a reasonable return on the investment. The Administrator may make such contracts with, and acquire for not to exceed \$100 such stock or interest in, any such corporation, association, or trust as he may deem necessary to render effective such restriction or regulation. Such stock or interest shall be paid for out of such housing fund, and shall be redeemed by the corporation, association, or trust at par upon the termination of all obligations of the Administrator under the insurance.

"(c) To be eligible for insurance under this section a mortgage on any property or project shall involve a principal obligation in an amount not to exceed \$5,000,000 and not to exceed 80 percent of the amount which the Administrator estimates will be the value of the property or project when the proposed improvements are completed, and such part thereof as may be attributable to dwelling use shall not exceed \$1,350 per room, and the mortgage shall provide for complete amortization by periodic payments within such term as the Administrator shall prescribe, and shall bear interest (exclusive of premium charges for insurance) at not to exceed 5 percent per annum on the amount of the principal obligation outstanding at any time. The Administrator may consent to the release of a part or parts of the mortgaged property from the lien of the mortgage upon such terms and conditions as he may prescribe and the mortgage may provide for such release. No mortgage shall be accepted for insurance under this section unless the Administrator finds that the property or project, with respect to which the mortgage is executed, is economically sound.

"(d) The Administrator shall collect a premium charge for the insurance of mortgages under this section, which shall be payable annually in advance by the mortgagee, either in cash or in debentures issued by the Administrator under this title at par plus accrued interest. In addition to the premium charge herein provided for, the Administrator is authorized to charge and collect such amounts as he may deem reasonable for the appraisal of a property or project offered for insurance and for the inspection of such property or project during construction: *Provided*, That such charges for appraisal and inspection shall not aggregate more than one-half of 1 percent of the original principal face amount of the mortgage.

"(e) In the event that the principal obligation of any mortgage accepted for insurance under this section is paid in full prior to the maturity date, the Administrator is authorized in his discretion to require the payment by the mortgagee of an adjusted premium charge in such amount as the Administrator determines to be equitable, but not in excess of the aggregate amount of the premium charges that the mortgagee would otherwise have been required to pay if the mortgage had continued to be insured until such maturity date.

"(f) There is hereby created a Housing Insurance Fund (herein referred to as the 'housing fund'), which shall be used by the Administrator as a revolving fund for carrying out the provisions of this section and section 210, and the Administrator is hereby directed to transfer immediately to such housing fund the sum of \$1,000,000 from that part of the fund now held by him arising from appraisal fees heretofore collected by him. General expenses of operations of the Federal Housing Administration under this section and section 210 may be charged to the housing fund.

"(g) The failure of the mortgagor to make any payment due under the terms of such mortgage shall be considered a default under a mortgage insured under this section and, if such default continues for a period of 30 days, the mortgagee shall be entitled to receive the benefits of the insurance as hereinafter provided upon assignment, transfer, and delivery to the Administrator, within a period and in accordance with rules and regulations to be prescribed by the Administrator of (1) all rights and interests arising under the mortgage so in default; (2) all claims of the mortgagee against the mortgagor or others arising out of the mortgage transaction; (3) all policies of title or other insurance or surety bonds or other guarantees and any and all claims thereunder; (4) any balance of the mortgage loan not advanced to the mortgagor; (5) any cash or property held by the mortgagee, or to which it is entitled, as deposits made for the account of the mortgagor and which have not been applied in reduction of the principal of the mortgage indebtedness; and (6) all records, documents, books, papers, and accounts relating to the mortgage transaction. Upon such assignment, transfer, and delivery the obligation of the mortgagee to pay the premium charges for mortgage insurance shall cease, and the Administrator shall, subject to the cash adjustment provided for in subsection (j), issue to the mortgagee a certificate of claim as provided in subsection (h), and debentures having a total face value equal to the original principal face amount of the mortgage plus such amount as the mortgagee may have paid for (A) taxes, special assessments, and water rates, which are liens prior to the mortgage; (B) insurance on the property; and (C) reasonable expenses for the completion and preservation of the property, less the sum of (i) that part of the amount of the principal obligation that has been repaid by the mortgagor, (ii) an amount equivalent to 5 percent of the unpaid amount of such principal obligation, and (iii) any net income received by the mortgagee from the property.

"(h) The certificate of claim issued by the Administrator to any mortgagee shall be for an amount which the Administrator determines to be sufficient, when added to the face value of the debentures issued and the cash adjustment paid to the mortgagee, to equal the amount which the mortgagee would have received if, on

the date of the assignment, transfer, and delivery to the Administrator provided for in subsection (g), the mortgagor had extinguished the mortgage indebtedness by payment in full of all obligations under the mortgage. Each such certificate of claim shall provide that there shall accrue to the holder of such certificate with respect to the face amount of such certificate, an increment at the rate of 3 percent per annum. If the net amount realized from the mortgage, and all claims in connection therewith, so assigned, transferred, and delivered, and from the property covered by such mortgage and all claims in connection with such property, after deducting all expenses incurred by the Administrator in handling, dealing with, acquiring title to, and disposing of such mortgage and property and in collecting such claims, exceeds the face value of the debentures issued and the cash adjustment paid to the mortgagee plus all interest paid on such debentures, such excess shall be divided as follows:

"(1) If such excess is greater than the total amount payable under the certificate of claim issued in connection with such property, the Administrator shall pay to the holder of such certificate the full amount so payable, and any excess remaining thereafter shall be paid to the mortgagor of such property; and

"(2) If such excess is equal to or less than the total amount payable under such certificate of claim, the Administrator shall pay to the holder of such certificate the full amount of such excess.

"(4) Debentures issued under this section shall be executed in the name of the housing fund as obligor, shall be signed by the Administrator, by either his written or engraved signature, and shall be negotiable. They shall bear interest at a rate determined by the Administrator, with the approval of the Secretary of the Treasury, at the time the mortgage was insured, but not to exceed 3 percent per annum payable semiannually on the 1st day of January and the 1st day of July of each year, and shall mature 3 years after the 1st day of July following the maturity date of the mortgage in exchange for which the debentures were issued. Such debentures as are issued in exchange for mortgages insured after the date of enactment of the National Housing Act amendments of 1937 shall be exempt, both as to principal and interest, from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority. They shall be paid out of the housing fund which shall be primarily liable therefor, and they shall be fully and unconditionally guaranteed as to principal and interest by the United States, and such guaranty shall be expressed on the face of the debentures. In the event the housing fund fails to pay upon demand, when due, the principal of or interest on any debentures so guaranteed, the Secretary of the Treasury shall pay to the holders the amount thereof which is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, and thereupon, to the extent of the amount so paid, the Secretary of the Treasury shall succeed to all the rights of the holders of such debentures.

"(j) Debentures issued under this section shall be in such form and denominations in multiples of \$50, shall be subject to such terms and conditions, and shall include such provision for redemption, if any, as may be prescribed by the Administrator with the approval of the Secretary of the Treasury, and may be in coupon or registered form. Any difference between the amount of debentures to which the mortgagee is entitled under this section, and the aggregate face value of the debentures issued, not to exceed \$50, shall be adjusted by the payment of cash by the Administrator to the mortgagee from the housing fund.

"(k) The Administrator is hereby authorized either to (1) acquire possession of and title to any property, covered by a mortgage insured under this section and assigned to him, by voluntary conveyance in extinguishment of the mortgage indebtedness, or (2) institute proceedings for foreclosure on the property covered by any such insured mortgage and prosecute such proceedings to conclusion. The Administrator shall so acquire possession of and title to the property by voluntary conveyance or institute foreclosure proceedings as provided in this section within a period of 1 year from the date on which any such mortgage becomes in default under its terms or under the regulations prescribed by the Administrator: *Provided*, That the foregoing provisions shall not be construed in any manner to limit the power of the Administrator to foreclose on the mortgaged property after the expiration of such period, or the right of the mortgagor to reinstate the mortgage by the payment, prior to the expiration of such period, of all delinquencies thereunder. The Administrator at any sale under foreclosure may, in his discretion, for the protection of the housing fund, bid any sum up to but not in excess of the total unpaid indebtedness secured by the mortgage, plus taxes, insurance, foreclosure costs, fees, and other expenses, and may become the purchaser of the property at such sale. The Administrator is authorized to pay from the housing fund such sums as may be necessary to defray such taxes, insurance, costs, fees, and other expenses in connection with the acquisition or foreclosure of property under this section. Pending such acquisition by voluntary conveyance or by foreclosure, the Administrator is authorized, with respect to any mortgage assigned to him under the provisions of subsection (g), to exercise all the rights of a mortgagee under such mortgage, including the right to sell such mortgage, and to take such action and advance such sums as may be necessary to preserve or protect the lien of such mortgage.

"(l) Notwithstanding any other provisions of law relating to the acquisition, handling, or disposal of real and other property by the United States, the Administrator shall also have power, for the

protection of the interests of the housing fund, to pay out of the housing fund all expenses or charges in connection with, and to deal with, complete, reconstruct, rent, renovate, modernize, insure, make contracts for the management of, or establish suitable agencies for the management of, or sell for cash or credit or lease in his discretion, any property acquired by him under this section; and notwithstanding any other provision of law, the Administrator shall also have power to pursue to final collection by way of compromise or otherwise all claims assigned and transferred to him in connection with the assignment, transfer, and delivery provided for in this section, and at any time, upon default, to foreclose on any property secured by any mortgage assigned and transferred to or held by him: *Provided*, That section 3709 of the Revised Statutes shall not be construed to apply to any contract for hazard insurance, or to any purchase or contract for services or supplies on account of such property if the amount thereof does not exceed \$1,000.

"(m) Premium charges, adjusted premium charges, and appraisal and other fees, received on account of the insurance of any mortgage insured under this section or section 210, the receipts derived from any such mortgage or claim assigned to the Administrator and from any property acquired by the Administrator, and all earnings on the assets of the housing fund, shall be credited to the housing fund. The principal of and interest paid and to be paid on debentures issued in exchange for any mortgage or property insured under this section or section 210, cash adjustments, and expenses incurred in the handling of such mortgages or property and in the foreclosure and collection of mortgages and claims assigned to the Administrator under this section or section 210, shall be charged to the housing fund.

"(n) In the event that a mortgage insured under this section becomes in default through failure of the mortgagor to make any payment due under the terms of the mortgage and such mortgage continues in default for a period of 30 days, but the mortgagee does not assign and transfer such mortgage, and the credit instrument secured thereby, to the Administrator in accordance with subsection (g), and written notice thereof is given to the Administrator, or in the event that the mortgagor pays the obligation under the mortgage in full prior to the maturity thereof, and written notice thereof is given to the Administrator, the obligation to pay the annual premium charge for insurance shall cease, and all rights of the mortgagee and the mortgagor under this section shall terminate as of the date of such notice.

"(o) Moneys in the housing fund not needed for current operations of this section and section 210 shall be deposited with the Treasurer of the United States to the credit of the housing fund, or invested or used to purchase debentures issued under this section and section 210 in the same manner as provided with respect to the fund in section 206.

"(p) The Administrator, with the consent of the mortgagee and the mortgagor of a mortgage insured under this section prior to the date of enactment of the National Housing Act amendments of 1937, shall be empowered to reissue such mortgage insurance in accordance with the provisions of this section as amended by such act, and any such insurance not so reissued shall not be affected by the enactment of such act.

"TAXATION PROVISIONS

"Sec. 208. Nothing in this title shall be construed to exempt any real property acquired and held by the Administrator under this title from taxation by any State or political subdivision thereof, to the same extent, according to its value, as other real property is taxed.

"STATISTICAL AND ECONOMIC SURVEYS

"Sec. 209. The Administrator shall cause to be made such statistical surveys and legal and economic studies as he shall deem useful to guide the development of housing and the creation of a sound mortgage market in the United States, and shall publish from time to time the results of such surveys and studies. Expenses of such studies and surveys, and expenses of publication and distribution of the results of such studies and surveys, shall be charged as a general expense of the fund and the housing fund in such proportion as the Administrator shall determine.

"ADDITIONAL HOUSING INSURANCE

"Sec. 210. (a) In addition to mortgages insured under sections 203 and 207 the Administrator is authorized to insure mortgages as defined in section 207 (a) (1), covering property upon which there is to be constructed one or more multifamily dwellings or a group of not less than 25 single-family dwellings: *Provided*, That the property shall have been approved for mortgage insurance prior to the beginning of construction.

"(b) To be eligible for insurance under this section a mortgage shall—

"(1) Involve a principal obligation (including such initial service charges, appraisal, inspection, and other fees as the Administrator shall approve) in an amount in excess of \$16,000 but not in excess of \$200,000, and not in excess of 80 percent of the amount which the Administrator estimates will be the value of the property when the proposed improvements are completed, and such part thereof as may be attributable to dwelling use shall not exceed \$1,150 per room.

"(2) Have a maturity satisfactory to the Administrator, but not to exceed 21 years, and contain complete amortization provisions satisfactory to the Administrator.

"(3) Bear interest (exclusive of premium charges for insurance) at not to exceed 5 percent per annum on the amount of the principal obligation outstanding at any time.

"(4) Contain such terms, conditions, and provisions with respect to advances during construction, assurance of completion, recognition of equitable rights of contract purchasers in good standing, release of part of the mortgaged premises from the lien of the mortgage, insurance, repairs, alterations, payment of taxes, default and management reserves, delinquency charges, foreclosure proceedings, anticipation of maturity, additional and secondary liens, and other matters as the Administrator may in his discretion prescribe.

"(c) The provisions of the last two sentences of section 203 (c), and the provisions of section 204, of the first sentence of section 205 (e), and of sections 207 (b) and 207 (d), shall be applicable to mortgages insured under this section.

"RULES AND REGULATIONS"

"Sec. 211. The Administrator is authorized and directed to make such rules and regulations as may be necessary to carry out the provisions of this title."

Sec. 3. Section 301 (a) of such act is amended to read as follows:

"Sec. 301. (a) The Administrator is further authorized and empowered to provide for the establishment of national mortgage associations as hereinafter provided which shall be authorized, subject to rules and regulations to be prescribed by the Administrator—

"(1) To make loans and advances upon mortgages which are accepted for insurance or insured under title II of this act: *Provided*, That no such association controlled or operated by the United States or any agency of the United States shall make any loan or advance upon mortgages which are accepted for insurance or insured under section 203 of this act;

"(2) To purchase, service, or sell any mortgages, or partial interests therein, which are insured under title II of this act;

"(3) To purchase, service, and sell uninsured first mortgages and such other liens as are commonly given under the laws of the State, District, or Territory in which the real estate is located to secure advances upon real estate held in fee simple, or under a lease for not less than 99 years which is renewable, or under a lease having a period of not less than 50 years to run from the date the mortgage was executed, together with the credit instruments, if any, secured thereby; but the amount of the principal obligation of any such uninsured mortgage shall not exceed 60 percent of the appraised value of the property as of the date the mortgage is purchased by the association; and

"(4) To borrow money for any of the foregoing purposes through the issuance of notes, bonds, debentures, or other such obligations as hereinafter provided."

Sec. 4. Section 301 (d) of such act is amended to read as follows:

"(d) No association shall transact any business except such as is incidental to its organization until it has been authorized to do so by the Administrator. Each such association shall have a capital stock of a par value of not less than \$2,000,000, and no authorization to commence business shall be granted by the Administrator to any such association until he is satisfied that such capital stock has been subscribed for at not less than par and that at least 25 percent thereof has been paid in cash, or in Government securities at their par value, or in first mortgages or such other first liens as are described in section 301 (a) hereof, which mortgages or liens shall be taken at such value as the Administrator may determine, not exceeding (except as to mortgages insured under title II of this act) 60 percent of the appraised value of the property as of the date of subscription, and that the remainder of the subscription to such capital stock is payable in the same manner and at such time as may be determined by the Administrator: *Provided*, That no association shall issue notes, bonds, debentures, or other such obligations until such time as such subscriptions are paid in full in cash or Government securities at their par value or in mortgages or other liens as hereinbefore set forth."

Sec. 5. Section 302 of such act is amended to read as follows:

"Sec. 302. Each national mortgage association is authorized to issue and have outstanding at any time notes, bonds, debentures, or other such obligations in an aggregate amount not to exceed (1) 15 times the amount of its paid-up capital and surplus, and in no event to exceed (2) the current unpaid principal of mortgages held by it and insured under the provisions of title II of this act, plus the amount of its cash on hand and on deposit and the amortized value of its investments in bonds or obligations of, or in bonds or obligations guaranteed as to principal and interest by, the United States. No national mortgage association shall borrow money otherwise than through the issuance of such notes, bonds, debentures, or other obligations, except with the approval of the Administrator and under such rules and regulations as he shall prescribe. An association may, if its bylaws so provide, accept any notes, bonds, debentures, or other obligations issued by it in payment of obligations due it at par plus accrued interest: *Provided*, That such notes, bonds, debentures, or other obligations so accepted shall be canceled and not reissued."

Sec. 6. Section 303 of such act is amended to read as follows:

"Sec. 303. Moneys of any national mortgage association not invested in first mortgages or other liens as provided in section 301, or in operating facilities approved by the Administrator, shall be kept in cash on hand or on deposit, or invested in bonds or other obligations of, or guaranteed as to principal and interest by the United States; except that each such association shall keep and maintain such reserves as the Administrator shall by rules and

regulations prescribe, and may purchase in the open market notes, bonds, debentures, or other such obligations issued under section 302."

Sec. 7. Section 307 of such act is amended to read as follows:

"Sec. 307. All notes, bonds, debentures, or other obligations issued by any national mortgage association shall be exempt, both as to principal and interest, from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority. Every national mortgage association, including its franchise, capital, reserves, surplus, mortgage loans, income, and stock, shall be exempt from taxation now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority. Nothing herein shall be construed to exempt the real property of such association from taxation by any State, county, municipality, or local taxing authority to the same extent according to its value as other real property is taxed."

Sec. 8. Section 512 (a) of such act is amended to read as follows:

"Sec. 512. (a) Whoever, for the purpose of obtaining any loan or advance of credit from any person, partnership, association, or corporation with the intent that such loan or advance of credit shall be offered to or accepted by the Federal Housing Administration for insurance, or for the purpose of obtaining any extension or renewal of any loan, advance of credit, or mortgage insured by the said Administration, or the acceptance, release, or substitution of any security on such a loan, advance of credit, or for the purpose of influencing in any way the action of the said Administration under this act, makes, passes, utters, or publishes, or causes to be made, passed, uttered, or published any statement, knowing the same to be false, or alters, forges, or counterfeits, or causes or procures to be altered, forged, or counterfeited, any instrument, paper, or document, or utters, publishes, or passes as true, or causes to be uttered, published, or passed as true, any instrument, paper, or document, knowing it to have been altered, forged, or counterfeited, or willfully overvalues any security, asset, or income, shall be punished by a fine of not more than \$3,000 or by imprisonment for not more than 2 years, or both."

Sec. 9. Section 512 of such act is further amended by adding at the end thereof the following new subsections:

"(d) No individual, association, partnership, or corporation shall hereafter, while the Federal Housing Administration exists, use the words 'Federal Housing' or 'National Housing,' or any combination or variations of any of these words, alone or with other words, as the name under which he or it shall do business, which shall have the effect of leading the public to believe that any such individual, association, partnership, or corporation has any connection with, or authorization from, the Federal Housing Administration, the Government of the United States, or any instrumentality thereof, where such connection or authorization does not, in fact, exist. No individual, association, partnership, or corporation shall falsely advertise, or otherwise represent falsely by any device whatsoever, that any project or business in which he or it is engaged, or product which he or it manufactures, deals in, or sells, has been in any way endorsed, authorized, or approved by the Federal Housing Administration, or by the Government of the United States, or by any instrumentality thereof. Every violation of this subsection shall be punished by a fine not exceeding \$1,000 or by imprisonment not exceeding 1 year, or both.

"(e) Whoever, for the purpose of inducing the insurance of the accounts of any institution by the Federal Savings and Loan Insurance Corporation or for the purpose of obtaining any extension or renewal of such insurance by said Corporation or for the purpose of influencing in any way the action of the said Corporation under this act, makes, passes, utters, or publishes, or causes to be made, passed, uttered, or published, any statement, knowing the same to be false, or utters, forges, or counterfeits, or causes or procures to be uttered, forged, or counterfeited, any instrument, paper, or document, or utters, publishes, or passes as true, or causes to be uttered, published, or passed as true, any instrument, paper, or document, knowing it to have been uttered, forged, or counterfeited, or willfully overvalues any security, asset, or income, of any institution insured or applying for insurance by said Corporation, shall be punished by a fine of not more than \$5,000, or by imprisonment for not more than 2 years, or both.

"(f) Any person who willfully and knowingly makes, circulates, or transmits to another or others any statement, or rumor written, printed, or by word of mouth, which is untrue in fact and is directly or by inference derogatory to the financial condition or affects the solvency or financial standing of the Federal Savings and Loan Insurance Corporation, or who knowingly counsels, aids, procures, or induces another to start, transmit, or circulate any such statement or rumor, is guilty of a misdemeanor punishable by a fine of not more than \$1,000 or by imprisonment of not exceeding 1 year, or both."

Sec. 10. Title V of such act is further amended by adding after section 513 thereof the following new section:

"Sec. 514. The provisions of section 10 (a) 1 and 10b of the Federal Home Loan Bank Act, as amended (49 Stat. 294, 295); paragraph 7 of section 5136 of the Revised Statutes, as amended (49 Stat. 709); section 24 of the Federal Reserve Act, as amended (49 Stat. 706); subsection (n) of section 77B of the Bankruptcy Act, as amended (49 Stat. 664); section 5 (c) of the act approved January 31, 1935, continuing and extending the

functions of the Reconstruction Finance Corporation (49 Stat. 1); and all other provisions of law establishing rights under mortgages insured in accordance with the provisions of the National Housing Act, shall be held to apply to such act, as amended."

Sec. 11. (a) Section 35 of chapter III of the act entitled "An act to regulate the business of life insurance in the District of Columbia," approved June 19, 1934 (48 Stat. 1152), is amended by inserting between paragraph (3) and paragraph (4) of such section a new paragraph to read as follows:

"(3a) Bonds or notes secured by mortgages or deeds of trust insured by the Federal Housing Administrator: The restrictions in subsection 3 of this section in regard to the ratio of the loan to the value of the property shall not apply to such insured mortgages."

(b) Paragraph (4) of section 35 of such act is amended to read as follows:

"(4) Bonds or other evidences of indebtedness of the farm-loan banks authorized under the Federal Farm Loan Act or acts amendatory thereof or supplementary thereto, and bonds or other evidences of indebtedness of national mortgage associations."

Sec. 12. The last sentence of paragraph "seventh" of section 5136 of the Revised Statutes, as amended, is further amended by inserting before the colon after the words "guaranteed as to principal and interest by the United States" a comma and the following: "or obligations of national mortgage associations."

Mrs. CARAWAY. Mr. President, will the Senator from New York yield to me?

The VICE PRESIDENT. Does the Senator from New York yield to the Senator from Arkansas?

Mr. WAGNER. I yield.

Mrs. CARAWAY. Mr. President, I ask unanimous consent to have printed in the RECORD a letter from a businessman in Arkansas in regard to the pending bill.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

FIRST FEDERAL SAVINGS AND LOAN
ASSOCIATION OF TEXARKANA,
Texarkana, Tex., December 13, 1937.

Senator HATTIE W. CARAWAY,
Washington, D. C.:

Am addressing this letter to you and would appreciate your reading this letter with my comments on the change recommended in the Federal Housing Administration.

At the present time the Federal Housing Administration will insure a loan for 20 years at an interest rate of from 4 to 5 percent, plus one-half of 1 percent service charge and one-half of 1 percent F. H. A. insurance, which gives lending agencies who wish to make an interest rate of 5 percent privilege of doing so and having it insured.

Bills were introduced by Senator WAGNER (S. 3055), House bill (H. R. 8520) of Representative STEAGALL. Hearing immediately upon the introduction of these bills, F. H. A. Administrator Stewart McDonald and Governor Marriner S. Eccles and R. F. C. Chairman Jesse Jones.

1. In the course of his testimony before both committees, Mr. McDonald made statements and placed materials in the record indicating that savings, building and loan associations charged exorbitant interest rates.

If Mr. McDonald, head of the F. H. A., would continue the present bill and quit making excuses why it has not gone over, and give the Home Owners' Loan Corporation a chance to prove that the Federal home-loan bank will function and furnish necessary additional funds to the savings and loan associations and other agencies who are eligible for membership in the Federal home-loan bank, they will take care of all worthy people who wish a home and will loan the money at an interest rate that they can pay.

Savings and loan associations and other thrift institutions of the building and loan type are loaning money now for 5 percent up, and in many cases are loaning as much as 95 percent of the appraised value of the property.

2. Mr. Eccles admitted that thrift institutions of the building and loan type could not operate under the rates proposed. He advocated strongly that the commercial banks participate extensively in the home-financing business, indicating that the provisions of the bill would operate satisfactorily as regards commercial banks.

Mr. Eccles states that thrift institutions of the building and loan type could not operate under the proposed rates suggested by the President.

It is very unfair to the thrift institutions for Mr. Eccles to make such a statement when the thrift institutions have not been given an opportunity. Since the Federal home-loan bank was created the lending institutions have had something behind them that they felt in time of need they could call upon and their wants would be taken care of.

In the past thrift institutions had to depend upon the banks for additional funds in the time they needed them, and if the banks were not in position to lend them money it embarrassed the lending agencies.

3. Mr. Jones confined his testimony largely to the proposed organization and functioning of national mortgage associations by the R. F. C.

Mr. Jones has done a fine job in the R. F. C., and I believe when he completes what he has already and the Government gets out of the lending field there will be ample funds to take care of all business to put the machinery running smoothly again.

The pump has been primed and there is plenty of water in the well if they will quit disturbing the well.

4. There were repeated references in the testimony to the building societies (savings and loan associations) of Great Britain which make high-percentage loans to home owners. It was not mentioned, however, that British building societies have been strongly encouraged in recent years in Great Britain by business and Government leaders (including the present Prime Minister), and by Government policies. Builders and real-estate operators put up deposits and guarantee the high-percentage loans that are made. Finally funds flow into the English societies at 2½ percent on deposits and at from 3½ to 4 percent on shares. In this country our Government is selling United States Savings Bonds at an advertised yield of 2.9 percent, and the perils and costs of mortgage lending are substantially greater. Incidentally, in Great Britain it is practically unknown for a commercial bank to make a mortgage loan, and over 90 percent of the home building and home owning is financed by building societies.

Real-estate taxes are not prior liens to mortgages and foreclosures take about 2 weeks and cost just a few dollars, to mention some of the conditions which are different.

If a borrower who secured a loan of 90 percent of the value and it was insured by the Federal Housing Administration, the lending institution would have a loss in the property before they could get possession of it, if the borrower decided he would not pay anything on the loan and live in it until he was dispossessed by law.

I have found while I was acting as district manager of the Home Owners' Loan Corporation for southwest Arkansas it was not the interest rate that got the home owner in trouble, it was the high taxes.

If F. H. A. insure 90-percent loan the borrower would turn the house back without any foreclosure expense within 6 months after completion of the loan, property would not sell for 90 percent of the loan.

In States like New York, Illinois, and 60 percent of the other States in the Union it takes from 12 to 25 months to go into court and get possession of the property by foreclosure. And it takes from \$150 to \$350 court cost. (This is the experience of the Home Owners' Loan Corporation shown in their monthly magazine of November 1937 in vol. 4, no. 2, on p. 43.)

For an example, if a dead beat secured a loan and it was insured through the Federal Housing Administration at 90 percent of its cost in the State of Alabama and you would not start foreclosure for 5 or 6 months after the loan was made, the average time is 25 months to complete a foreclosure in Alabama, and the cost of the property was \$5,000, amount of the loan would be \$4,500 (90 percent of the value), interest at the rate of 5 percent for 2½ years would be around \$550, and the average taxes on \$5,000 home would be around \$75 a year, or total of \$137.50. By the time the borrower turned the property back, taxes and interest would amount to around \$750, not counting anything for the cost in getting possession of the property. Borrower could live in the house for 2½ to 3 years for \$500, or about \$15 to \$20 a month rent.

In New York and Illinois the court cost for foreclosure is from \$250 to \$350.

If it is necessary to take possession of a piece of property in those States and you had made a 90-percent loan it would be impossible to sell that property for 80 percent of the actual cost after securing it.

5. Still, American experience and problems are the important issues and very few men who have had real experience in the long-term financing of homes believe that 90-percent loans are sound, safe, or wise, either for the borrower or the lender. Certainly, the men who sit as directors and trustees in thrift institutions will hesitate to place thrift funds in 90-percent loans, unless many safeguards are possible, including a return sufficient to build real reserves for absorption of losses. There will be losses in such operations even though they are absorbed partly by the lender and partly by the F. H. A. mortgage fund and the Federal Treasury in the next depression.

I believe if they will quit agitating the lowering of interest rate and increasing the percentage of the loan, that the building of homes will be as large as it was at the peak. As long as there is agitation about the reduction of interest rate, people are afraid to borrow money to build a home for fear they will pay a larger interest rate than they will be able to secure later.

The Federal Insurance Corporation did a good job in restoring confidence to investors in savings and loan associations and other thrift and savings and loan institutions.

The Federal home-loan bank is the agency for thrift institutions the same as Federal Reserve bank to the banks. The home-loan bank, if given a chance, will furnish the necessary funds to the thrift institutions to take care of all home owners who wish to build a home if they are worthy, and will make the rate of interest in keeping with the discount rate at the time the loan was made.

The Government should not expect lending agencies to make loans for a longer period than 10 years. If interest rate goes down, the borrower has the privilege of paying the loan off, and he will do so. But the lending agency cannot increase his interest rate above that shown in the contract. Regardless of what rate of interest he will have to pay for the money he borrows, and if the

dividend paid to the investors is not in keeping with the dividend of other institutions they will withdraw their funds and create a condition similar to the one we have just passed. Federal Insurance Corporation would have to liquidate these thrift institutions and cause the public to lose confidence in them again.

Thanking you for your patience in reading what I have to say on this subject, I am,
Yours very truly,

A. B. CLARK, Secretary.

Mr. ELLENDER and Mr. CONNALLY jointly submitted amendments intended to be proposed by them to the bill (H. R. 8730) to amend the National Housing Act, and for other purposes, which were ordered to lie on the table and to be printed in the RECORD, as follows:

Insert at the appropriate place the following new section:

"Sec. —. Section 404 (a), (b), and (c) of the National Housing Act is hereby amended by striking out the words 'one-eighth of 1 percent' and inserting in lieu thereof the words 'one-twelfth of 1 percent.'"

Insert at the appropriate place the following new section:

"Sec. —. Section 403 of the National Housing Act is hereby amended by adding the following new and additional subsection (e):

"(e) The Corporation, out of its insurance premiums, shall pay for all regular examinations to which insured institutions are subjected by the Insurance Corporation. This does not apply to examinations prior to insurance or special examinations arising in cases of default, defalcations, and like unusual circumstances."

Insert at the appropriate place the following new section:

"Sec. —. Subsection (n) of section 4 of the Home Owners' Loan Act of 1933, as amended, is amended by the addition of the following language:

"Of the total authorized bond issue of the Corporation \$200,000,000, with the approval of the Secretary of the Treasury, shall be available for the purchase of bonds, debentures, or notes issued under section 11 of the Federal Home Loan Bank Act, as amended; and any funds realized by the Corporation from the sale of such investments made under the provisions of this subsection may be reinvested by the Corporation at any time in said bonds, notes, and debentures."

Insert at the appropriate place the following new section:

"Sec. —. Section 5 of the Home Owners' Loan Act of 1933, as amended, is hereby amended by inserting after subsection (i) a new subsection to read as follows:

"(j) Any Federal Savings and Loan Association may convert itself into a State-chartered savings and loan association or mutual savings bank upon a vote of 51 percent or more of the votes cast at a legal meeting called to consider such action; such conversion shall be subject to the laws of the State in which the institution is located and shall be consummated only upon acceptance of the institution by the State under such terms and arrangements as the State statutes and the supervisory authorities of the State prescribe. Upon completion of such conversion, the association shall no longer be subject to the rules and regulations or examination by the Federal Home Loan Bank Board, but institutions having Government funds invested in their shares may not convert without the assent of the Federal Board."

Insert at the appropriate place the following new section:

"Sec. —. Subsection (b) of section 405 of the National Housing Act, as amended, is amended to read as follows:

"(b) In the event of a default by an insured institution the Corporation shall promptly determine the insured members thereof and the amount of each insured account, and shall make available to each of them, after notice by mail at his last known address as shown by the books of the insured institution and upon surrender and transfer to the Corporation of his insured account free and clear of any lien or other encumbrance, either (1) a new insured account in an insured institution not in default, in an amount equal to the insured account so transferred, or (2) at the option of the insured member, the amount of his account, which is insured under this section, as follows: At least 10 percent in cash; and one-half of the remainder in negotiable debentures of the Corporation payable within 1 year from the date of default, bearing interest from such date at the rate of 2 percent per annum; and the balance in negotiable debentures of the Corporation payable within 3 years from the date of default, bearing interest from such date at the rate of 2 percent per annum. The Corporation shall furnish to each insured institution a certificate stating that the insurance of accounts in such institutions is to be paid in the manner described in this subsection."

The VICE PRESIDENT. The question is on agreeing to the amendment in the nature of a substitute reported by the Committee on Banking and Currency.

Mr. BORAH. Mr. President, I take it the Senator from New York [Mr. WAGNER] is going to explain the proposed substitute?

Mr. WAGNER. Together with the Senator from Ohio [Mr. BULKLEY] I may be able to enlighten the Senator as to its provisions. We are addressing ourselves to the amendment in the nature of a substitute proposed by the Committee on Banking and Currency.

Mr. President, the substitute proposed by the committee for the so-called housing bill as passed by the House carries out the major recommendations of the President's recent message. By appropriate amendments of the National Housing Act of 1934 the bill would stimulate and encourage private capital to enter the field of residential construction in large volume and on a long-term basis.

The rationale of the measure is embodied in the statement before the committee by General Wood, president of Sears, Roebuck & Co., when he said:

I think it is universally conceded that regardless of what measures are necessary at the present time, housing offers the best opportunity for the long pull to bring business back.

This statement is scarcely debatable. A series of studies undertaken by the Brookings Institution, by the United States Chamber of Commerce, and very recently by the National Housing Committee, establish beyond question that there exists today a major need for new housing and replacement, growing out of a combination of circumstances, including particularly the long depression lag in residential construction. While dwelling units were constructed during the period 1923 to 1930 at a rate of about 700,000 per year, the average for the period from 1930 to 1937 fell to about 180,000 a year.

This accumulated shortage in dwelling facilities, estimated at from two to three million units, exists almost entirely in the field available for rent or ownership to families of modest income.

As a result, we have accumulated during this period of 7 years a tremendous deficit or shortage in housing. To make up this deficit and house our people, even according to the standards of the last decade, would require at least a 5-year program at several times our present rate of residential construction.

The failure thus far to meet these actual needs is nothing short of tragic when we consider the consequences from the standpoint of unemployment. The testimony before the committee shows that unemployment in construction alone more than accounts for our failure to reach the 1929 employment level. We cannot expect to curtail expenditures for work relief or public construction unless private enterprise takes up the burden in some effective way.

Mr. BORAH. Mr. President—

The PRESIDENT pro tempore. Does the Senator from New York yield to the Senator from Idaho?

Mr. WAGNER. I yield.

Mr. BORAH. Did the committee secure any data or any facts and figures as to the number of vacant or empty houses now in the United States?

Mr. WAGNER. Not directly in that way, but we have received evidence of surveys made along that line. For instance, a survey made by the United States Chamber of Commerce shows that on the bases of the estimated growth in the number of families or housekeeping units, the accumulated deficit as of January 1, 1936, can be liquidated only by building an average of 730,000 new units per year for a 10-year period.

The exhaustive surveys of the Brookings Institution and the National Housing Committee along these same lines are described in the report of the Committee on Banking and Currency. The Brookings survey, made in 1936, shows that in order to house our population by 1941 according to 1929 standards, we would require an annual average construction of over three times the 1936 construction rate. The National Housing Committee survey, recently announced, shows that our normal housing needs require construction of 485,000 new units in 1938 and again in 1939, without taking into account the deficit of 2,000,000 units accumulated since 1930.

Mr. BORAH. That may all be true, but these glittering generalities throw very little light on the subject. Of course, we need more houses which people should be permitted to occupy, but could they occupy them? In view of the fact that we have numerous reports to the effect that there are now vacant houses all over the country, there must be economic conditions which prevent the people from occupying

houses. I am not criticising, but endeavoring to ascertain who it is the bill is supposed to benefit.

Mr. WAGNER. All the testimony is to the effect that there are not many such empty houses. I shall try to reach that point a little later. I am sure that the surveys made by men competent in that field would not have overlooked the factor of houses which are now vacant. The testimony showed that the shortage I have described exists almost entirely among the homes available to families of modest income, who can afford to pay only between \$20 and \$40 per month in rent or carrying charges.

Mr. BORAH. It may be that I am entirely misinformed, but I have been informed directly by people from different cities that there are vast numbers of vacant houses in the different places. They contend there are plenty of houses to be had, but occupants are wanting. Now can we, by this bill, meet the situation so as to get more occupants?

Mr. WAGNER. I am sure the Senator has been misinformed in that respect. I know that whatever homes have been constructed recently within the reach of those of modest incomes, were sold or rented almost immediately upon completion. It seems to me that indicates a demand for that type of house.

Mr. NORRIS. Mr. President—

The PRESIDENT pro tempore. Does the Senator from New York yield to the Senator from Nebraska?

Mr. WAGNER. I yield.

Mr. NORRIS. If the Senator is through with that point I wish to ask him a question about the phraseology of the bill. If he expects later to explain what I am going to ask I shall not press him for an answer about it now. The Senator was about to explain the bill, but thus far has said nothing about the very first section.

The heading of that title is "Title II—Mortgage insurance—Definitions." Then it proceeds:

The term "mortgage" means a first mortgage on real estate—

And so forth. Then we also find that—

The term "first mortgage" means such classes of first liens—

And so forth. Subsection (b) defines the term "mortgagee." Then subsection (c) provides:

The term "maturity date" means the date on which the mortgage indebtedness would be extinguished if paid in accordance with periodic payments provided for in the mortgage.

I am wondering if the term "maturity date" has any different meaning than what we ordinarily understand it to mean. It seems to me the definition only defines what is well known now; also the terms "mortgage," "mortgagee," and "mortgagor." Is there anything new in these definitions different from our general understanding of them?

Mr. WAGNER. No; there is not. I may say to the distinguished Senator from Nebraska that that is a technical change which was made so that there would be no question as to what was meant by the maturity date in the insurance policies when a mortgage is insured. That is not a substantive change at all.

Mr. NORRIS. I understand, I think, what "maturity date" means; but, as I read the definition, it is only a definition of what "maturity date" is universally understood to mean. What is the use of defining something unless the meaning is something different from what is ordinarily understood?

Mr. WAGNER. Some questions have arisen as to what the maturity date is.

Mr. NORRIS. It would assist anyone in examining the bill if he understood that these definitions really change the present legal meaning of the terms defined. If they do not change the meaning, why try to define the terms at all?

Mr. BARKLEY. Mr. President, if the Senator will yield to me in that connection—

Mr. WAGNER. Certainly.

Mr. BARKLEY. The question arose as to whether there might be some confusion between the actual date when the obligation became due and when it was paid off, because, perhaps, of deferred payments. It might be that the obligation

would not be discharged on the date when, on its face, it became due. It might be discharged a year later because of lack of ability to pay all installments promptly; and it was desired to avoid any confusion as between the date when the obligation was finally discharged and the date when it would be discharged if all payments were promptly met.

Mr. NORRIS. Mr. President, let me ask a question at that point. Does this definition change the present legal meaning of the maturity date, even in that case?

Mr. BARKLEY. I do not think it does.

Mr. NORRIS. Then why should we try to define the term?

Mr. BARKLEY. It was felt that there might be some confusion between the actual termination of the contract according to its face and its termination according to lapsed payments.

Mr. WAGNER. Mr. President, it is purely a technical matter. In the event that it should be necessary to foreclose a mortgage, and the property eventually should become the property of the Government—which we hope will occur only in a very few instances—debentures are to be issued to the mortgagee in payment for the transfer of the property. The bill provides that those debentures shall become due 3 years after the maturity date of the mortgage. In order that no question should ever be raised by any of those who were to receive the debentures as to what that date is, we felt it necessary to define it in the bill itself.

I had just reached the point, as I recall, of the deficit now existing in the building of homes to house our people. As I said before, that also involves the terrific unemployment which has existed in the building industry, incidentally, from the very beginning of the depression. The building industry is one of the very few industries which has never lifted itself out of the depression. Even during the past year, when we were slightly increasing our rate of construction, the volume of construction never reached more than thirty-odd percent of the 1929 level. By construction of, say, 800,000 units in any one year it is reasonably estimated that about two and a half million men can be steadily employed during that year at the building sites, in the factories where the materials are fabricated, and so on.

What does that mean? That does not mean the employment of those 2,000,000 men only. Their reemployment will give them a great fund of purchasing power, which they will utilize not only to buy some of these very homes we are providing for, but more clothing, more food, and so on. In this way we shall also increase the prosperity not only of trades allied with the building industry but of industry generally, and of agriculture as well. The statement of these cumulative consequences is so obvious—although until recently very little understood—that I hardly need elaborate upon it.

This bill is therefore all important from an economic standpoint. It will not only check the present economic recession but lead to a rounded, lasting recovery.

Witnesses who appeared before us testified to their study of the English system. Recently I myself took the time to go—at my own expense, of course; I do not think I need say that—and make a study of the British housing experience. Every economist in Great Britain and everyone else who is informed on the subject will tell you that England lifted itself out of its depression, and absorbed its unemployed, and brought about almost complete recovery, through its tremendous building program, which is still going on.

Mr. POPE. Mr. President, will the Senator yield?

Mr. WAGNER. Yes.

Mr. POPE. Is the Senator going to point out the way in which this bill either supersedes or extends the original Federal Housing Act, I think of 1934?

Mr. WAGNER. Yes; I shall try to do that. There are some very important technical features of it which I am going to ask the Senator from Ohio [Mr. BULKLEY] to explain, because of his mastery of that subject.

Mr. GEORGE. Mr. President, may I interrupt the Senator for just a moment?

Mr. WAGNER. Certainly.

Mr. GEORGE. I believe the Senate committee entirely eliminated title I.

Mr. WAGNER. Yes.

Mr. GEORGE. Will the Senator, in the course of his remarks, make any reference to title I?

Mr. WAGNER. I suppose I shall be obliged to do so. I do not think I shall be disclosing a secret when I say that I myself doubted the wisdom of eliminating title I; but the majority of the committee—and I confess that the weight of argument seemed to be in their favor—advocated its elimination. I think it will be referred to, if not by myself, by the Senator from Ohio [Mr. BULKLEY].

I was just stating that Great Britain practically lifted itself out of the depression to a position of almost complete recovery and the absorption of practically all its unemployed by a comprehensive housing program undertaken through the combined efforts of business and government. That program resulted in employment which not only affected the building industry and all the allied trades but it also brought a prosperous condition to the workers in industry generally.

In developing a rounded housing program for the Federal Government, we are properly proceeding on the theory that a large volume of residential construction should be achieved with a maximum reliance on private enterprise and a minimum expenditure of public funds.

The expenditures undertaken in the slum-clearance law enacted at the last session were essential to afford proper housing for those families in our lowest-income groups. We could not possibly expect their housing needs to be provided by private enterprise operating at a profit. The United States Housing Authority is now well under way. The disbursements which it is authorized to make for slum clearance will be more than repaid by the employment and purchasing power afforded by the volume of construction encouraged under the law, and by the elimination of the social and economic consequences of slum conditions.

In the present bill, we are concerned with the vast field of residential housing for people of very moderate means. This field is wide open for private enterprise. A recent report of the United States Chamber of Commerce tells us that "the greatest business opportunity of the age is to provide more and better homes for the average citizen at reduced costs."

The bill provides all that should be required to facilitate a large flow of private capital into the field of residential construction for rental or home ownership, particularly in view of the extremely favorable public and private money market now prevailing.

That brings me, perhaps, to the first major provision of the bill. Three types of insurance of mortgage loans are provided for.

Insurance is made available under section 203 for mortgages on private homes up to \$16,000; under section 210, for mortgages on multifamily units or groups of small homes up to \$200,000, adaptable particularly for the smaller towns; and under section 207, for mortgages on large-scale projects for rent or home ownership up to \$5,000,000, especially designed for larger cities or suburban developments. The interest rate on any of these mortgages may not exceed 5 percent, and the mortgage loan, with one exception as to small homes, is limited to 80 percent of the value of the property. The Administrator is required to make an annual insurance premium charge in stipulated amounts. No further appropriation is necessary to expand the existing insurance system. The funds appropriated under the original act are made available for the purposes of all three categories of mortgage insurance.

The insurance system is established on a sound basis and is surrounded by adequate safeguards. Under the existing law, more than \$1,000,000,000 in mortgages have been insured to date, the average being about \$4,000. Thus far, only 47 foreclosures have occurred, and it has been necessary to issue only a few thousand dollars worth of debentures in payment of the insurance liability.

Section 203 is intended to expand the opportunities for families of modest means to buy their own homes upon more

favorable terms than they can now secure. To me, this is the most important provision of the bill, because it is addressed to the widest field for the construction industry and for the reemployment of those now out of jobs, and because it affords an opportunity for our American families of very modest means, through long-term financing, sound in my opinion, to acquire their own homes. I think nothing so much contributes to the stability and security of our economic and political system as to have a large home-owning population.

Section 203 deals first with homes up to \$6,000, and then, somewhat differently, with homes from \$6,000 up to \$16,000.

Mr. CONNALLY. Mr. President, will the Senator yield?

Mr. WAGNER. Yes.

Mr. CONNALLY. I notice that section 203 covers projects up to \$16,000, to accommodate not more than four families. Does the bill give any assurance against speculation?

One individual hardly would build a house for four families in order to live in it himself. Would not that section encourage speculators and builders to utilize this legislation to build a four-apartment house, and then, if they can sell it out to four individuals at a profit, fine; but if they do not, the Government will become the landlord? Why provide for four families if it is the purpose to encourage the individual to own his home?

It seems to me that under the four-family provision an individual would either have to go into "caboots" with three or four others to make a joint loan, or else he would have to buy a house from some proprietor, who would be a speculator.

Mr. WAGNER. Mr. President, if we are to try to revive the entire building industry, we cannot limit the bill altogether to homes costing \$6,000 or less. Although there is a much smaller demand, there is nevertheless a demand existing also—and we must encourage it, if we can, under sound financing—for the construction of other types of homes, large apartment homes, or homes for multiple families. We have to rely upon the effectiveness of administration by the Federal Housing Administration, which, I think everyone will concede, has been very successful in making insurance upon loans only of a sound type. Before a particular mortgage is insured, appraisals are made to assure that the loan insured is a safe loan, and the matter is thoroughly investigated. Moreover, in the case of \$16,000 houses, the loan can be made only up to 80 percent of the value of the property.

Mr. CONNALLY. Will the Senator yield further?

Mr. WAGNER. I yield.

Mr. CONNALLY. Is it proposed by the bill to provide for the construction of large apartment houses?

Mr. WAGNER. It authorizes the insurance of loans made by private individuals or private institutions for the construction of the large-type projects as well as individual homes.

Mr. CONNALLY. Ninety percent?

Mr. WAGNER. No; 80 percent.

Mr. CONNALLY. It seems to me that would inevitably lead to pure speculation and jobbing, because no one but a large operator can build a large apartment house, and after it is built, no one owns it except the owner. The tenants do not receive any benefit in the way of ownership.

Mr. WAGNER. Mr. President, I prefer to yield only for a question now.

Mr. CONNALLY. I beg the Senator's pardon; I thought he wanted the matter discussed.

Mr. WAGNER. I do want the matter discussed, and as to the matter the Senator just mentioned, there has been a very good experience so far. Large loans have been insured by the Federal Housing Administration, and thus far there has been no sign of speculation in the construction of the homes. Where houses have been built under mortgages insured by the Housing Administration, as soon as their construction was finished, they were occupied 100 percent; there has been no sign of speculation. I am sure the Administrator, who has experience and is very efficient, and has a very efficient staff, would sense any effort at speculation through overvaluation.

Mr. SHIPSTEAD. Mr. President, will the Senator yield?

Mr. WAGNER. I yield.

Mr. SHIPSTEAD. Has the Senator explained the difference between the pending bill and the existing Housing Act?

Mr. WAGNER. Yes; one of the primary differences is that under the pending bill construction loans may be made on loans under sections 207 and 210, whereas under existing law the Administrator is limited to insuring loans after construction. Under the proposed law, in order to encourage new construction, he would be authorized to insure the loan at the time construction began.

Section 203 provides that for limited periods, in the case of houses valued at \$6,000 or less, mortgages may be insured up to 90 percent of the appraised value of the property, the amortization period may be up to 25 years; and there is a reduction of 1 percent in the actual interest and premium charges allowed under existing law. The object is to afford a person of modest means an opportunity to buy his own home under terms with which he can comply.

Wage earners who can afford a monthly carrying charge of from \$20 to \$40, depending on the value of the house, can now avail themselves of the opportunity to buy their own homes. This will open up a new mass market for construction operations. I believe that still further advantages to the home owner will accrue from the economies incident to the large-scale operations authorized under section 207. The construction of these large projects for rental or home ownership is probably the most important single element in the entire statutory plan.

When Great Britain inaugurated its program of encouraging private industry to engage in the construction of small homes, a down payment of 20 percent was required and a loan was made up to 80 percent of the value. The market was sluggish, because it was discovered that while many of the wage earners held onto their homes more tenaciously than other groups they had difficulty in securing the necessary funds, or had not been able to save enough money to put up 20 percent of the cost. The construction and sale of homes was tremendously stimulated the moment the down payment was reduced to 10 percent. Other terms made are also very reasonable. I believe the amortization period is as long as 25 years; one witness testified that in some instances it runs to 30 years.

There may be some who doubt the wisdom of insuring loans where there is a down payment of only 10 percent. Personally, I hold to the view, knowing something about our wage-earning population and our population of modest income, that such a loan is a preferred risk. As the Senators know, the man of modest means is not very ambitious, he does not demand very much, but he would like to have a home for his own family. A down payment of 10 percent and the opportunity for home ownership mean more to him than to other individuals who can afford a 30- or 40-percent down payment. As I have said, England's experience was that the mass market for small homes was created almost entirely by a reduction of the down payment to 10 percent. As soon as this occurred there was a multiplication of the sale of homes to the type of people of whom I am speaking, and their financial experience thus far has confirmed the soundness of these loans.

Mr. SHIPSTEAD. Mr. President, will the Senator yield for another question?

Mr. WAGNER. Certainly.

Mr. SHIPSTEAD. In 1920 a building program was started in England, but it was stopped because of the high cost of materials and the high cost of building. I understand that later a change was made, as a result of which they were able to keep the costs down. Has anything been done here to assure a reasonable cost to those who are to build houses?

Mr. WAGNER. One of the reasons why they were able to reduce their costs materially was that they built on a large scale, and it is to be hoped that may be done under the pending measure. It is readily understandable that when a man is building just one home for himself it is going to cost more than if a project is undertaken where 1,000 homes are built at one time. The builder will economize through the purchase

of standardized materials in large volume. Moreover, he may be able to make an arrangement with the workers whereby, in consideration of the steady employment afforded on a large project or development, they will agree to a modification of the hourly rate of wage. That has actually been done in New York and elsewhere. For these reasons it is very much hoped that costs will go down. Since the operations are to be controlled by private industry, these arrangements must be handled through negotiations between industry and labor. Mr. Green, president of the American Federation of Labor, stated before our committee he had no doubt but that in all the communities where the question will arise, labor is ready to cooperate with industry so as to make this program a success.

Mr. SHIPSTEAD. I do not know to what extent the Senator has explained the bill; I was not able to come to the Senate Chamber until just a few moments ago, and if he has explained the things about which I am asking I will not take any more of his time.

Mr. WAGNER. It does not matter; I do have a prepared speech.

Mr. SHIPSTEAD. Certain questions arise in my mind which I should like to have explained. For instance, is there anything in the bill to prevent the lending of money to speculators, who buy land and build houses, very poor houses, with a lot of paint and a lot of gadgets which look all right, which are not any good after 5 or 10 years? It costs more to keep such houses in repair than it does to pay rent. Is any provision made for inspection to see that the houses are properly built so that the buyer will not be swindled, as is done in many of the suburbs? I know people who have made payments down, and after using the house 2 or 3 years, have to spend \$1,000 or \$2,000 to repair it.

Mr. WAGNER. The bill itself provides for a thorough investigation before a loan is insured by the Federal Housing Administration. In addition to that, we have the testimony of the officials of the Federal Housing Administration, who told us in detail just how carefully they scrutinize every one of these loans. Appraisals are made—the neighborhood is surveyed to determine whether the project would be successful. As the building progresses, inspectors are constantly on the job to see that the provisions of the loan are complied with and that the construction is according to sound specifications. There is a thorough investigation, so that the kind of a venture to which the Senator refers, in my opinion, is impossible. The Federal Housing Administration has had several years' experience in that line, and nothing but sound building has taken place under their very strict supervision. So that the question which the Senator raises is amply safeguarded, both by the law and by the efficiency of the Administration.

Mr. SHIPSTEAD. Under the pending bill, how big a loan can be made on a house? Is it 80 percent or 90 percent?

Mr. WAGNER. We are trying to make home ownership available to the man of modest means, of whom I have been speaking. On homes valued at \$6,000 or less, the loan may be insured up to 90 percent of the value.

Mr. SHIPSTEAD. How big a loan can the prospective builder get?

Mr. WAGNER. Ninety percent, which would be \$5,400.

Mr. SHIPSTEAD. Then the Government will insure 90 percent of that?

Mr. WAGNER. Ninety percent of the value of the property, which, in the case of a \$6,000 home, would be \$5,400. Then there is provision for a down payment of 10 percent, and for amortization payments over a 25-year period.

Mr. SHIPSTEAD. The proposal is to insure the full value of the loan?

Mr. WAGNER. To insure the full loan, which is 90 percent of the value of the property. If we do not do that, in my opinion, we might as well stop talking about giving the wage earner, or the man of modest means, an opportunity to buy his own home. Under the building programs carried out in some foreign countries, the down payment is in some instances even lower than 10 percent.

Take the situation in Sweden: There they have a tremendous housing development. Not only is a down payment of only 10 percent required, but the interest is down to 4½ percent, and in some instances down to 4 percent. In some other countries—I think not in Sweden—the interest rate is down to as low as 3½ percent. I am making a plea, Senators, for the man in that class we are considering, because I know he is not only going to buy the home but he is going to keep the home. The experience in Sweden and in other countries has been unusually successful. The people there buy their homes, and they keep their homes for themselves and their families.

Mr. SHIPSTEAD. Mr. President, I do not think the comparison just presented by the Senator is a fair one, because the people he is referring to have jobs, and they keep them.

Mr. WAGNER. I am speaking about every country where the plan has been put into effect.

Mr. SHIPSTEAD. Under present conditions here no man is assured of a job.

Mr. WAGNER. He is not assured of a job in Great Britain any more than he is in this country, and yet there they have had a very successful experience along this line. Their undertaking was practically a failure until the down payment was reduced to 10 percent. Then building of the kind we are considering was stimulated. As I said, that was 7 years ago, and those who have bought houses under that plan are paying right up and occupying their homes.

Mr. SHIPSTEAD. I should like to call another thing to the Senator's attention. The Home Owners' Loan Corporation took over loans on homes which had been built by private corporations, loans which were made by private corporations on the basis of 50 percent of the value of the property; and it is my understanding that wholesale foreclosures have been made with respect to those homes. The people who purchased the homes could not make the payments on the loans which were made at 50 percent of the value of the property.

Mr. WAGNER. I can answer that question in this way: There is as much difference between the financing proposed under this legislation and the financing of small homes before the depression as there is between day and night. The small-home owners were exploited in this country during the period of time to which the Senator refers. That was the difficulty when the depression came. Had a method of financing been provided them by which they paid \$30 or \$40 or \$20 per month for their homes, we should not have had anything like the threatened foreclosures with which we were confronted in 1933. But what was the type of lending then?

In the first place, one could not possibly get more than a 5-year first mortgage upon his house. In most instances the first mortgage was for a period of only 3 years. The loan, the first mortgage, would be for 60 percent of the value of the property. For the next 20 percent of the value of the property, a second mortgage would be made at about 10 percent interest, and for the next 10 percent, a third mortgage would be placed on the property, for which exorbitant interest was exacted. The whole set-up was almost a racket. The interest actually paid on that mortgage was staggering in amount; including bonuses and what not, it frequently exceeded 20 percent. Although the owner of the property made only a 10-percent down payment, he was constantly confronted, not with a long-term amortization at a reasonable rate of interest—5 percent—but with a 3-year amortization period, and with interest at perhaps the staggering sum of 20 percent. When the time came that he was not able to make a \$1,000 or \$2,000 payment on the property because of unemployment, the bank, or whoever had the loan, said, "We are very sorry about it, but we will foreclose."

If the home owner had had the financing which we are now providing for in this bill, these men would have been able to continue paying their \$20 to \$30 per month and to keep their homes. We are now wiping out that ruthless exploiter's method of financing; we are providing a method under which the required payments can reasonably be made, and as a result, we shall have a home-owning population.

Mr. SHIPSTEAD. This method will eliminate the various commissions on first mortgages and second mortgages and third mortgages?

Mr. WAGNER. Absolutely.

Mr. SHIPSTEAD. The man who makes the original loan—

Mr. WAGNER. We have only one loan, and it is up to 90 percent of the value of the property on small homes. It is to be reduced each year, with only a 5-percent interest rate.

Mr. SHIPSTEAD. What part of that does the original lender get? He gets the 5 percent?

Mr. WAGNER. He gets the 5 percent, and that is all he gets.

Mr. SHIPSTEAD. Then there is some charge for insurance?

Mr. WAGNER. One-quarter of 1 percent premium.

Mr. SHIPSTEAD. Is that all?

Mr. WAGNER. Yes.

Mr. SHIPSTEAD. Is there any charge for inspection?

Mr. WAGNER. None by the Federal Administrator.

Mr. SHIPSTEAD. Who pays the inspector of the Federal Administrator?

Mr. WAGNER. There may be that charge by the lender, but that is not going to be a very large sum, and it is limited by the Administrator's regulations.

Mr. SHIPSTEAD. Let me ask another question. For instance, a man builds a house under this plan. He has only one mortgage on the house. We will assume that he has a house built which is worth every cent he puts into it. Then he may lose his job. He wants to get his equity out; he wants to sell the house. Assuming that he goes to a real-estate man, the real-estate man wants a commission. The owner of the house cannot pay the commission, but he makes some arrangement to pay the amount required and puts on another mortgage subject to the first one. Is there anything to stop that?

Mr. WAGNER. Of course we cannot provide for every contingency; but the Senator is making an argument against these people owning any property. Every man who owns a house, even if he pays 40 percent down, may meet the same difficulty. If the Senator feels that we ought not to afford this opportunity for these people of moderate means to own homes, if the Senator thinks they are safer without homes, that is another proposition.

Mr. SHIPSTEAD. No; I do not mean that at all. I am glad to have the Senator explain the terms under which the mortgages are made, and the guarantee principle.

Mr. WAGNER. The hypothetical situation which the Senator has just presented may happen to any home owner, of course. It is his home, and if a time comes when he is unable to meet these very modest payments there is nothing I know of that we can do for him.

Mr. SHIPSTEAD. If he himself can sell the house, he escapes that situation.

Mr. WAGNER. That is up to him. It is his property. The Government has nothing to say about that.

Mr. SHIPSTEAD. When he gets possession of the house, there is only one mortgage.

Mr. WAGNER. Yes.

Mr. SHIPSTEAD. That is a great advantage.

Mr. WAGNER. That is not the only advantage. Other advantages are the low rate of interest and the long term of amortization. The period of amortization is 25 years. Think of the difference between an amortization period of 25 years and a loan period of 3 years! The average person, if called upon to pay up at the end of 3 years, simply cannot pay in periods of economic stringency. That has been the difficulty heretofore, and that is why there were so many foreclosures during the depression. This bill is addressed directly and primarily to the financing requirements of the home owner himself. The monthly carrying charge and the original down payment are the all-important elements from his standpoint. There is a big difference between being called upon suddenly to pay a thousand dollars and paying to the

bank each month his \$30 or \$40, which he would pay anyway in the form of rent.

Mr. SHIPSTEAD. May I make just one other observation? The trouble with farm mortgages has been that loans have been made too liberally. Too large loans have been made. The farmer could not pay the loan and so he lost his farm. Such a loan policy did not help him to keep the farm. It seems to me there is the danger here that if we make the loan so large the one who borrows cannot meet the payments the home owner will lose his home.

Mr. WAGNER. The loans under the old plan were actually made up to 90 percent and were under a method of exploitation in the form of first, second, and third mortgages. The borrower frequently could not meet his payments under that method of borrowing.

Mr. SHIPSTEAD. Of course, the building record has been a disgraceful record.

Mr. WAGNER. Yes. This bill controls it absolutely. That is why I am really hoping, knowing the Senator's sympathies for the very people I am talking about and his anxiety to serve them, that the Senator will see his way clear to support this measure.

Mr. COPELAND. Mr. President, will the Senator yield to me?

Mr. WAGNER. I yield to my colleague.

Mr. COPELAND. As the Senator knows, I am very much interested in this bill.

Mr. WAGNER. Yes, indeed.

Mr. COPELAND. I have, however, had from practically every building and loan association in New York State, protests against the amount of the insurance. I assume that that matter was given consideration by the committee.

Mr. WAGNER. Yes.

Mr. COPELAND. A few moments ago my colleague made reference to the experience in Great Britain. Was not the situation in Great Britain that it was required of the home owners that the amount between 75 percent and 90 percent of the mortgage should be endorsed by some responsible contractor, or building-material man, or other person?

Mr. WAGNER. That was required for a while, Mr. President, and then it was abandoned. It has been abandoned for some time in Great Britain.

Mr. COPELAND. My colleague is quite certain?

Mr. NORRIS. Mr. President, we are unable to hear the questions of the Senator from New York [Mr. COPELAND]. I think they are interesting, and we should like to hear them.

Mr. COPELAND. Mr. President, I have not thought they were so important; but I shall be glad, of course, to be heard.

The understanding I had about the Great Britain situation was that while they had made provision for a 90-percent loan, the owner was required to have an endorser for the difference between 90 percent and 75 percent; that when the loan dropped to 75 percent, it was all carried by the Government. But my colleague tells me that that was the experience early in Great Britain, and that later the same arrangement which is now being proposed was adopted.

Mr. WAGNER. Yes; exactly, and that is the arrangement in Great Britain today.

Mr. COPELAND. Does my colleague believe that building and loan associations are justified in their fear that if this arrangement is made it will kill the building and loan associations?

Mr. WAGNER. I do not. If I thought that I would not advocate this legislation. The building and loan associations can take advantage of the provisions of the bill, as can every other sound institution, and I am sure that the legislation will in no way interfere with them.

Mr. COPELAND. Were the various building and loan associations heard?

Mr. WAGNER. Yes; they were. Their representative was heard and submitted a number of amendments which the Senator from Ohio [Mr. BULKLEY], who was chairman of the subcommittee, submitted to the subcommittee in detail, one after the other, and the entire committee discussed every amendment proposed.

Mr. COPELAND. Were any of those amendments adopted?

Mr. WAGNER. Yes; in part, some were adopted.

Mr. COPELAND. I merely wish to make note of the fact that almost without exception, even as late as yesterday they are making serious complaint regarding the matter I have just spoken of, and also regarding the proposed reduced interest rate, because of its effect upon millions of dollars' worth of mortgages which they have outstanding under the ordinary rules of building and loan associations.

Mr. WAGNER. Of course, as to the interest rate, it may be that some of their outstanding loans do carry a higher interest rate; but I think it has been generally conceded that interest rates have been too high. It seems to me that Congress, in a moderate and sound way, by slow steps, should make every effort to bring down the rate of interest. For instance, the Home Owners' Loan Corporation Act not only served the beneficent purpose of saving nearly a million homes but it also had an effect upon the market in reducing the rate of interest. Generally speaking, I think it had a very salutary effect throughout the country in bringing down interest rates for the average home owner.

Mr. COPELAND. If my colleague will bear with me at that point, I think the reference to the Home Owners' Loan Corporation is unfortunate, because that Corporation has already foreclosed on 200,000 homes. The complaint was made that, of course, the rate of interest was too high; but when I have made inquiry of the Corporation here, they have said that they were bad loans; that the borrowers were not such as could carry on, and that, of necessity, foreclosures were inevitable. It will be unfortunate for us to enter upon a campaign which would result in the temporary encouragement of possible builders and then to meet the fate that hundreds of thousands have met under the operations of the Home Owners' Loan Corporation.

I merely speak of these matters because I wish the Senate to understand that there are those who make complaint about the bill. Personally I think there is nothing more important, not alone to the happiness of our people but also to their health and morals, and even to the stability of the Government, than to have the people live in their own homes. The more people we can get in their own homes, homes in which they have a real equity, the greater the improvement in conditions which make for good citizenship and good government. But, at the same time, in formulating a bill we must take into consideration all the matters which may, if they are not given attention, work to the detriment of the bill. I have merely presented these matters to ascertain if consideration has been given them, and I assume, from what my colleague says, that all these matters were considered by the committee?

Mr. WAGNER. Yes; they were. I assure the Senator very careful consideration was given to them by the committee.

Mr. COPELAND. Of course, so far as I am concerned, I want to support the bill.

Mr. WAGNER. I recall very distinctly that the Senator from Ohio [Mr. BULKLEY] explained each separate proposition to the subcommittee in detail.

Mr. DUFFY. Mr. President—

Mr. WAGNER. I yield to the Senator from Wisconsin.

Mr. DUFFY. I quite agree with the Senator's statement that up to this point the Federal Housing Administration has done a splendid job in the way of inspection, and otherwise, and I think they are to be commended for it. I was just wondering, however, if the policy is to be changed so that we insure after the construction has started and before it has proceeded very far, must there not necessarily be somewhat of a change in procedure in order to have a closer inspection as the work goes along rather than inspection at the end?

Mr. WAGNER. Yes. The inspection goes on from the beginning of the construction right up to its completion, and there are sufficient conditions in the insurance contract, so that if there is any violation of or deviation from the conditions prescribed, the insurance is nullified.

Mr. ELLENDER. Mr. President, will the Senator yield?

Mr. WAGNER. Certainly.

Mr. ELLENDER. To what extent may home owners re-finance under the bill, that is, those who have been fore-closed on in the past?

Mr. WAGNER. This bill has no application to that sort of situation.

Mr. ELLENDER. Am I to understand that this bill ap-plies only to new home building?

Mr. WAGNER. It applies practically only to new home building.

Mr. ELLENDER. Is any provision made whereby, for in-stance, a man may buy a home and remodel it? Considering the amount it will cost him to rebuild, is there any provision in this act whereby he may take over a home of that kind, which is already built, upon paying so much cash and amortizing the balance?

Mr. WAGNER. He can have his mortgage insured up to 80 percent of the loan now.

Mr. ELLENDER. But I have reference to buildings already erected.

Mr. WAGNER. Up to 80 percent of the value of the prop-erty, he can do that. I may add that the provision as to the 90-percent loan is to end in 1942; so that the 90-percent loan is not established as a permanent matter.

Mr. ELLENDER. And that is applicable to new construc-tion?

Mr. WAGNER. That is applicable to new construction.

Mr. SCHWARTZ. Mr. President—

Mr. WAGNER. I yield to the Senator from Wyoming.

Mr. SCHWARTZ. Reverting to what was said a moment ago about small loans up to \$5,400 and 90-percent insurance and the need of such loans for residents of urban districts, I notice that the House bill extends that benefit to people in rural districts as well as to those in urban districts; that it extends it to farmers, ranchers, and others residing in the country, as appears on page 4, but I see on page 46 of the Senate bill there is the same House section, except that the reference to those living in rural districts has been stricken out. Why is that necessary?

Mr. WAGNER. There has never been any distinction be-tween urban and rural housing under this legislation. Ref-erence to both urban and rural localities is mere surplusage.

Mr. SCHWARTZ. Is it not a fact that in the administra-tion of the law in the past it has not been extended to people living in rural districts?

Mr. WAGNER. I think that is so.

Mr. SCHWARTZ. And by putting such provision in this bill we will make it definite that those living in rural districts are entitled to it?

Mr. WAGNER. So far as I am concerned, I think there is no doubt that it applies to rural as well as urban sections. If there is any doubt on that score, I certainly should have no objection to putting in the words "urban or rural." I may say to the Senator, however, so far as financing of home construction in the rural districts is concerned that under the Agricultural Credit Administration a loan can be secured upon much more favorable terms than are provided by the pending bill. Such a loan can be obtained, I think, at 3½-percent interest. Whether any money has been ad-vanced for new construction, I do not know, but certainly the authority is in that act for such advancement.

Mr. PEPPER. Mr. President, will the Senator from New York yield right there?

Mr. WAGNER. I yield.

Mr. PEPPER. Apropos that subject—under the Federal Farm Credit Administration Act, I think a loan is possible to the farmer, but it is not possible for him to make a loan up to 90 percent. He can make one up to 75 percent under existing law.

Mr. WAGNER. That is true. Of course, the low rate of interest almost makes up that difference. I certainly would not object to any proposal to make this bill available to the farmer.

Mr. LA FOLLETTE. Mr. President, will the Senator yield?

Mr. WAGNER. I yield.

Mr. LA FOLLETTE. I intend to submit an amendment which I hope will meet with favorable consideration on the part of those who are interested, extending the provisions of this act to rural and semirural communities. When the time comes and opportunity is afforded to discuss it, I will be glad to go into the question.

Mr. VANDENBERG. Mr. President, may I ask the Sen-ator from New York a question?

Mr. WAGNER. Certainly.

Mr. VANDENBERG. As I understand, when the home owner builds his \$6,000 home and obtains a 90-percent loan he has a 10-percent stake in the undertaking. He has a loan of 90 percent, and he has invested 10 percent. But the bank that loans the 90 percent is insured a hundred percent, so that the bank has no stake at all. Is that correct?

Mr. WAGNER. It is not altogether correct. The bank has a stake in that it must meet the expenses of foreclosure, up to a certain point, in the case of default.

Mr. VANDENBERG. It substantially guarantees a 5-per-cent investment to the banker insofar as the law is appli-cable. Is that correct?

Mr. WAGNER. The Senator is speaking about the 5 per-cent?

Mr. VANDENBERG. Yes.

Mr. WAGNER. That is a different type of loan. It does not apply to the small-home loans.

Mr. VANDENBERG. What is the argument, and I assume there must have been one, against cutting the 100-percent insurance down to say 95 or 90 percent, so that the bank that loans the money shall be a partner in the enterprise along with the home builder?

Mr. WAGNER. For the large-scale loans there is a pro- vision to that effect now in the bill.

Mr. BULKLEY. Mr. President, will the Senator from New York yield to enable me to comment on that question?

Mr. WAGNER. Certainly.

Mr. BULKLEY. The bank has a stake in the transaction because the bank is required to foreclose and pay foreclosure costs and deliver ultimately a good title to the Administrator before it can be reimbursed. Then when it is reimbursed it is not in 5-percent securities, but in debentures with interest at 3 percent maturing 3 years after the time the mortgage would have matured if it had remained in good standing. So the bank does have a substantial stake in the transaction.

Mr. VANDENBERG. That is interesting, but is it the banking judgment of the Senator from Ohio that if the in-surance were allowed only up to 95 percent it would ma-terially handicap the operations under the bill?

Mr. BULKLEY. These are all questions of degree. It is difficult to say whether it would or not. It is much easier to explain that it is 100 percent subject to certain restrictions if the bank has to foreclose.

Mr. VANDENBERG. I agree it is easier to explain, but it is also easier to lose.

Mr. BULKLEY. No one figure can be said to be right and every other figure wrong. We thought this a reasonable arrangement.

Mr. WALSH. Mr. President, will the Senator from New York yield to me?

Mr. WAGNER. I yield.

Mr. WALSH. I invite attention of the Senator from New York to the elimination from the bill of opportunities for prospective home owners to purchase homes which are now existing and being deprived of the opportunity of securing insured mortgages for such purchases. As I understand the bill, after July 1 the Federal Housing Administrator can in-sure mortgages of home owners up to 90 percent on new construction.

Mr. WAGNER. Yes.

Mr. WALSH. Under existing law, mortgages can be in-sured up to 80 percent on existing homes in distinction from newly constructed homes. Is that correct?

Mr. WAGNER. Yes.

Mr. WALSH. A correspondent of mine has called atten-tion to four factors that ought to be considered before we

eliminate the possibility of a home owner who desires to purchase an existing property being denied the insurance provision of this bill.

Mr. WAGNER. The 90-percent provision?

Mr. WALSH. Yes. I wish to read them to the Senator:

(1) There are many occupants of existing dwellings able to assume home ownership but who lack sufficient ready money for a down payment in excess of 10 percent of the purchase price. To qualify for mortgage insurance under the present law requires an additional down payment of at least 20 percent.

(2) Many existing property owners who would like to buy existing dwellings for homes are also unable to do so through their inability to make an initial down payment in excess of 10 percent.

(3) Again for similar reasons home owners desirous of selling their homes in order to purchase other ones are handicapped in carrying out their plans.

(4) Banks, insurance companies, and other financial institutions in Massachusetts and in all parts of the country own properties valued at \$6,000 or less which could be sold readily to prospective home owners if 90-percent insured mortgages were available.

I think the statement of the four points by my correspondent puts forward a strong argument in favor of continuing, after July 1 next, the opportunity for persons to purchase, by the aid of insured mortgages, existing properties. I should like to have the Senator comment on that subject.

I may first call his attention to the fact that a large amount of property has been thrown upon the market by the Home Owners' Loan Corporation foreclosing, and there is a good deal of existing property that could be utilized by persons who desire to buy a home if this insurance provision were available to them.

Mr. WAGNER. The Senator has brought up a very important point, which was discussed fully in the subcommittee. Some witnesses testified in relation to it. However, the difficulty is these are rather favorable terms for a short period of time, and the idea of the proposed legislation is to encourage construction. If we extend it to cover existing property we may discourage construction very much, and not carry out the real objective of the legislation.

Mr. WALSH. The idea of my correspondent is to encourage home ownership. Of course, the present law does that by making available 80-percent loans to a prospective home owner to purchase a home already existing.

Mr. WAGNER. Yes; he may get up to 80 percent. After July 1, 1939, however, all insurance must be on new construction.

Mr. WALSH. I had assumed the matter had been called to the attention of the committee, and I was desirous of getting its viewpoint. The committee is of the opinion that the proposed legislation at this time should be confined to home building after July 1 and limited to a few years?

Mr. WAGNER. Yes; to encourage construction as much as possible, with certain flexibilities in the legislation.

Mr. POPE. Mr. President—

The PRESIDENT pro tempore. Does the Senator from New York yield to the Senator from Idaho?

Mr. WAGNER. I yield.

Mr. POPE. In the State of Idaho under the present Federal Housing Act there has developed what we call a "no man's land" with reference to the making of loans on homes. For instance, a man living just outside the city limits is employed in town. The Farm Credit Administration would not make him a loan because he was not engaged in farming and could not, therefore, comply with their requirements. The Federal Housing Administration could not make a loan because he lived outside the city limits. A number of people like that are living in what we call "no man's land" in the administration of the Federal Housing Act. Is it the opinion of the Senator that under the terms of the pending bill the same situation would exist?

Mr. WAGNER. The Federal Housing Administration, under the terms of the bill being considered here, and under the provisions of the present law, has authority to make loans on houses of that character. They would continue to have that authority under this bill. The authority exists

to insure loans on those small dwellings, but as a matter of administration it has not been done, I understand.

Mr. BULKLEY. Mr. President, will the Senator yield?

Mr. WAGNER. I yield.

Mr. BULKLEY. There is no infirmity in the right to make the loan. The difficulty is in getting an appraisal satisfactory to the borrower. The suburban resident can get a loan through the Housing Administration, but he claims an added value to his residence on account of the fact that he has a garden connected with it. The Housing Administrator says, "We are not in the farm loan business. We can only give you an appraisal based on residential value." The Farm Credit Administration has the converse of that situation. The difficulty is rather one of getting an appraisal satisfactory to the borrower than of the authority to make the loan.

Mr. POPE. I understand that explanation has been made, but in the State of Idaho it did not work out that way. Our Federal Housing Administrator said the value was there, the appraisal was all right, but because of regulations or restrictions, and because the party lived outside the city limits, he could not qualify to obtain the loan.

Mr. WAGNER. If the Senator has been properly informed as to the facts, I would differ with the attitude of the Federal Housing Administration. I think under those circumstances the loan ought to be insured.

Mr. POPE. I agree with the Senator fully, and I have urged that upon the Administration, but in vain. That difference existed apparently somewhere in the interpretation of the law to the point where we had a "no man's land" existing for a distance outside of the city limits where no one could make loans.

Mr. WAGNER. There is no justification for such an interpretation of the law. I think it is very helpful that the Senator has brought up that point so that we may present our views to the Federal Housing Administration.

Mr. BAILEY. Mr. President, will the Senator yield?

The VICE PRESIDENT. Does the Senator from New York yield to the Senator from North Carolina?

Mr. WAGNER. I yield.

Mr. BAILEY. I should like to ask the Senator about the consequence of the proposed legislation upon the building and loan associations. I shall be content to preface that by saying that I have received a great many telegrams from officers of these associations in my State and they are very greatly concerned.

As I understand, there is some element of competition. The building and loan association runs on a plan of this kind: Say that I myself wish to build a home; I go to the association and contract to borrow, say, \$4,000. The loan is to be secured on the home. Then I take stock in the association, and I mature the stock by paying so much per month on a 6-percent basis. That is the usual building and loan standard. The stock is supposed to mature in 66 months. I am speaking now from the point of view of the North Carolina experience. It happens to have been my own experience with a building and loan association; that is, a 6-percent basis, with maturity in 66 months. The basis here is 25 years; that is 300 months. What is the rate of interest here?

Mr. WAGNER. Five percent.

Mr. BAILEY. I am not sure what the building and loan rate is now, but I know that it was 6 percent, plus certain benefits they got from not crediting the borrower on the monthly payments. There was a little accumulation, a little leeway. Will the consequence of this competition be such as to cripple the building and loan associations or tend to put them out of business?

Mr. WAGNER. The Senator from Ohio [Mr. BULKLEY] went over these amendments very carefully. I am going to ask him in a moment to answer that question. Let me make a preliminary statement, however.

My own view, for whatever it is worth, is that the passage of this bill will in no way interfere with the operation of the building and loan associations. In the first place, the

90-percent provision is limited to new construction, and the building and loan associations may take advantage of this provision just as others may do. The bill in no way interferes with their present operation or their present ownership. To the extent that it may cause competition in the future, however, I do not think it is an unhealthy thing. It certainly will not interfere whatever with their present machinery and their outstanding loans. If the bill has a tendency to reduce the rate of interest as to new construction, I think it will be salutary rather than harmful.

Mr. BAILEY. The Senator's answer is rather satisfactory. I wish to support the legislation. As I understand, the building and loan associations may come in under the measure.

Mr. WAGNER. Oh, absolutely.

Mr. BAILEY. And they will have relatively the same advantage that they have now in dealing with the banks. They probably will get money cheaper.

Mr. WAGNER. Absolutely.

Mr. BAILEY. So a man who buys a lot and is about to build a home probably will be aided by this bill, because the building and loan security is a great deal more exacting than that provided by the bill.

Mr. WAGNER. That is true. Let me say that this is only for a limited period of time. This is not permanent legislation. The statute limits the insurance of 90-percent loans to July 1, 1942, so that in any event it is a temporary provision.

Mr. BAILEY. Very well. I am very well satisfied.

Mr. WAGNER. I was about to say that the Senator from Ohio [Mr. BULKLEY] knows more about that particular phase of the matter than I do.

Mr. BULKLEY. Mr. President, I will say right there that so far from objecting to the 90-percent provision, the building and loan associations asked that the limit be raised to more than \$6,000 homes. We have in part complied with that request by making a larger loan up to \$10,000. We compute 90 percent of the first \$6,000, and 80 percent of the excess above \$6,000, up to a \$10,000 loan.

Mr. BAILEY. I just want to say to the Senator that I am rather relieved. I was alarmed at first, because when I left the Senate Chamber last Saturday and went over to my office I found that I was getting the most importunate telegrams from building and loan associations in North Carolina begging me to undertake to defeat this measure.

Mr. WAGNER. That was due to a misunderstanding, I am sure.

Mr. BAILEY. I did not wish to defeat it; I wanted to vote for it. Now, I think the idea is that it would tend to help them, and make capital more readily available for them.

Mr. WAGNER. That is my view.

Mr. ELLENDER. Mr. President, will the Senator yield for a question?

Mr. WAGNER. I yield.

Mr. ELLENDER. Will not the cost of doing business in the case of the building and loan associations be greater than those of the banks in handling loans of the same character?

Mr. WAGNER. I hardly think so.

Mr. ELLENDER. As I understand, the present cost to the building and loan associations for insurance of accounts is one-eighth of 1 percent and besides that sum they must pay for the examination of their books, which involves an extra charge; whereas in the case of the banks they pay one-twelfth of 1 percent for insurance of their accounts and the F. D. I. C. assumes the cost of examination.

Mr. WAGNER. I think the Senator is mistaken as to the premium charge.

Mr. ELLENDER. I should like to have that question discussed, so as to clarify the point raised by the Senator from North Carolina.

Mr. WAGNER. I will ask the Senator from Ohio [Mr. BULKLEY] to consider that question.

Mr. BULKLEY. Mr. President, if the Senator will indulge me a moment, I think I can do something to clear up the whole situation about the building and loan associations.

Mr. Friedlander, of Houston, Tex., chairman of the advisory council of the Building and Loan League, appeared before our committee and testified as to what their interests are. Just this morning I received a telegram signed by Mr. Friedlander and others of the Southwest, suggesting certain amendments to the bill; but as the telegram does not have the alarmist character that the Senator from North Carolina [Mr. BAILEY] has noted in some of the telegrams he has received from his State, I should like to have it read from the desk, so that we may see how those who are best advised about the interests of the building and loan associations feel about the proposed legislation.

Mr. WAGNER. I suggest that the Senator himself read it.

Mr. BULKLEY. Very well. The telegram is as follows:

LITTLE ROCK, ARK., December 20, 1937.

SENATOR ROBERT J. BULKLEY,

Care United States Senate Office Building, Washington, D. C.:

LITTLE ROCK, ARK., December 18.—The undersigned, representing the Federal Home Loan Bank of Little Rock and the Building and Loan Leagues of the States of Arkansas, Louisiana, Mississippi, New Mexico, and Texas, have been in conference all day considering how the savings and loan associations could most effectively cooperate with the President's housing program. After mature consideration of the bill as proposed, it is our balanced opinion that in order for these home-financing institutions to fully and actively cooperate and be of the most service in the program it is necessary that the bill as proposed be amended in accordance with recommendations made to both committees by the United States Building and Loan League. In the event it is not possible to secure adoption of all amendments recommended by the United States Building and Loan League, it is imperative and absolutely necessary, if the thrift and home-financing institutions are to afford any material assistance in this program, that the following amendments as proposed be made to the bill: First, amendment proposed to section 5 of the Home Owners' Loan Corporation Act of 1933, providing for the conversion of Federal savings and loan associations into State-chartered savings and loan associations and/or mutual savings banks; second, amendment proposed to section 403 of the National Housing Act, providing that the insurance corporation shall pay out of insurance premiums collected the expense of regular examinations of insured institutions; third, amendment to section 404 (a), (b), and (c) of National Housing Act, reducing the insurance premium from one-eighth to one-twelfth of 1 percent, comparable to premiums charged banks insured by Federal Deposit Insurance Corporation.

I. Friedlander, Houston, Tex.; Wm. H. Clark, Jr., Dallas, Tex.; Matt G. Smith, Baton Rouge, La.; J. G. Leigh, Little Rock, Ark.; T. J. Butler, Austin, Tex.; E. J. Nolan, New Orleans, La.; R. H. McCune, Roswell, N. Mex.; H. T. Leonard, Kosciusko, Miss.; O. C. Hathaway, Shreveport, La.; Gordon H. Campbell, Little Rock, Ark.; Allain C. Andry, New Orleans, La.; O. W. Boswell, Paris, Tex.; Will C. Jones, Jr., Dallas, Tex.

Senators will note that there are three amendments that they insist upon as necessary and vital, and only three. All of the suggestions have been carefully considered and, in part, complied with indirectly by provisions in the bill. These three amendments all relate to administrations other than the Federal Housing Administration. They relate to the home loan banks and to the Federal Savings and Loan Insurance Corporation.

The committee took the position that it should not amend acts relating to administrations other than the Housing Administration without hearing representatives of those other administrations, and that so many suggestions had been received with respect to competitive conditions that would be created by this bill that it would take too long a time to hear the representatives of other administrations, and therefore that we would pass by these suggestions without prejudice, and hear the Federal Savings and Loan Insurance Corporation and the Home Loan Bank Board at a later time, when we come back next January.

So we have not refused to consider these proposals. On the contrary, we desire to give them most careful consideration; but we hope that no one will suggest putting them on the present bill, because they relate only to the question of competitive conditions, which we can consider in connection with new legislation next January.

Mr. ELLENDER. Mr. President, will the Senator yield?

Mr. WAGNER. I yield to the Senator from Louisiana.

Mr. ELLENDER. The Senator concedes, then, that under the law as it exists the homesteads would be at a disadvantage in comparison to the banks in the handling of their business, does he not?

Mr. BULKLEY. There is nothing in this bill that creates that disadvantage. The disparity in the insurance charge has existed for a long time.

Mr. ELLENDER. That may be true. I have sent up amendments to the desk. However, I do not propose to urge them at this time, in view of the fact that the Senator from Ohio [Mr. BULKLEY] has assured us that the issues involved in the amendments will be considered by his committee early next session. It is not my purpose to delay the passage of the pending bill.

Mr. O'MAHONEY. Mr. President—

Mr. WAGNER. I understand that the Senator from Wyoming desires to ask the Senator from Ohio a question. I yield for that purpose.

Mr. O'MAHONEY. I have listened with a great deal of interest to what the Senator from Ohio has had to say, particularly because I have been the recipient of a large number of telegrams and letters from persons interested in Federal savings and loan associations who seem to be very much concerned lest the amendments suggested by the United States Savings and Loan Association should not be adopted.

If the Senator will permit me, I desire to read a letter which was received from the secretary-treasurer of the Provident Federal Savings & Loan Association of Casper, in my State. He states in this letter:

PROVIDENT FEDERAL SAVINGS & LOAN ASSOCIATION OF CASPER,
Casper, Wyo., December 18, 1937.

Hon. JOSEPH C. O'MAHONEY,
United States Senator, Washington, D. C.

MY DEAR SENATOR: Our savings and loan association, and I am sure that I can speak in the same tone for the rest of the savings and loan associations in the United States, is willing and anxious to do everything practical and possible to encourage the buying, building, and owning of homes in our community.

I believe in the wisdom of the President and that the time is most auspicious for his encouragement in the building of homes. I believe, however, that no radical changes in the present policy of savings and loan associations throughout the United States should be undertaken without first seeking the advice and help of those men who represent the savings and loan institutions throughout the United States and I mean none other than the representatives of the United States Building and Loan League. We cannot personally appear before you but must rely on those in whom we have placed our confidence, to act as our spokesman.

I have before me a copy of the suggested amendments to H. R. 8520 and S. 3055 presented by the Senate Banking and Currency Committee by Mr. Friedlander upon behalf of the United States Building and Loan League, December 10, 1937, and I can say with all the strength that I can muster that the import of these bills is of such serious consequence that the men piloting the ship of state must give thorough and earnest consideration to the proposed amendments as there is the most imminent danger of legislation being passed that will be of far greater harm than good to the home builder and small investor in this great country.

I earnestly request that no legislation be passed over the sound advice of those men representing over 4,000 individual institutions who have 80 percent of the combined assets of the savings and loan business in the United States.

Respectfully yours,

DEWEY H. JONES,
Secretary-Treasurer.

Of course, I have not had an opportunity to study this bill; I know the committee has been giving diligent attention to it, and I should like to have the Senator say to us whether in his opinion the bill in its present form is likely to be inimical to the interests of these newly established Federal savings and loan associations, and whether the bill can be safely passed without the amendments which were presented to the committee in December.

Mr. BULKLEY. Mr. President, I wish to reiterate and corroborate what has been said by the Senator from New York, namely, that our committee is very solicitous about the interests of the building and loan associations. We consider that they are in a measure under our care quite as much as the Federal Housing Administration is. We would not willingly do anything to damage them. We have heard their representatives at length, and we have considered their suggestions in detail.

Of course, we have not been able to agree with every suggestion that has been made. It is seldom that any group makes a long list of suggestions every one of which can be approved in toto. The summary of the building and loan associations' situation seems to me to be well stated in this telegram I have just read. The first signer of the telegram is the designated representative of the Building and Loan League to come before our committee, the chairman of their advisory council, and he has stated the three amendments which he considers necessary and vital. None of those has been rejected, though I have stated the reason why we have not included them in the bill, and why I hope Senators will not insist that they be included in the bill. In good faith we intend to consider those very propositions as soon as we get back after the holidays.

Mr. O'MAHONEY. That is exactly the point I wanted to bring out. I understood the Senator to say that these amendments had not been rejected, but would be given consideration at the next session.

Mr. BULKLEY. Exactly.

Mr. O'MAHONEY. Is it the opinion of the Senator that they can be safely passed over at this time?

Mr. BULKLEY. There is no doubt about it. No great boom in building loans could happen so quickly as to anticipate our action on these propositions.

Mr. O'MAHONEY. In other words, the Senator feels that the importance of getting the legislation enacted is so great as to outweigh the suggestion that these amendments should be incorporated in the proposed law?

Mr. BULKLEY. I do not think there is any doubt about it. Let me call attention to the reason why it is essential that the legislation should be passed and signed by the President at the earliest possible moment. As soon as the President's message suggesting changes in the Administration and suggesting benefits to be given to borrowers on homes was received, all building enterprise stopped and waited to see what we were going to do. No one will commit himself to a new enterprise until he knows for sure what benefits are to be provided by the pending bill. Therefore the activity will not start again until the bill has been passed and signed.

Mr. O'MAHONEY. Will that make it possible for us to give assurance to our correspondents that these suggested amendments will be given detailed consideration by the committee?

Mr. BULKLEY. Absolutely, and in good faith.

Mr. CONNALLY. Mr. President, will the Senator from New York yield to me to ask a question of the Senator from Ohio?

Mr. WAGNER. Certainly.

Mr. CONNALLY. I have enjoyed very much the explanation given by the Senator from Ohio. In the Home Owners' Loan Act, which is a Federal act we passed, we undertook to deal with the building and loan associations, and provide a method of refinancing, as well as for direct loans by the Government through the Home Owners' Loan Corporation. As I remember, we provided for the creation of 12 regional banks, did we not?

Mr. BULKLEY. By the Home Loan Bank Act we provided for the creation of 12 regional home-loan banks. That, however, was prior to the Home Owners' Loan Corporation.

Mr. CONNALLY. But we passed both acts, and they are Federal enactments.

Mr. BULKLEY. Oh, yes.

Mr. CONNALLY. The objectives of those acts were somewhat like those behind the pending bill, to aid in financing and in building homes. We also created Federal savings associations, as I recall it.

Mr. BULKLEY. That is correct.

Mr. CONNALLY. And they are Federal institutions. Does it not seem to the Senator that when we are enacting this legislation we should not put into it provisions which will place the proposed organizations, which will also be federally sponsored, at a disadvantage in competition with the pres-

ent set-up, and would we not be doing that? And is it not true, as the Senator has suggested, that immediately on the President's suggesting these changes, building stopped, and will this not have the same effect in the operation of the building and loan associations? A prospective builder will say, "Wait; I am not going into the savings association until I see what is going to happen to the housing situation."

Mr. BULKLEY. I do not think that will be the effect of it. The building and loan associations are eligible to get exactly the same benefits under the proposed act as any other lending institution.

Mr. CONNALLY. Yes; as any other lending institution, but if the individual builder can get insurance up to 90 percent under the proposed law, he is not going to bother with a savings bank.

Mr. BULKLEY. He must have a lender in any case. He cannot draw the money from the Housing Administration.

Mr. CONNALLY. But he may get it from a bank.

Mr. BULKLEY. He may get it from a bank or from a building and loan association.

Mr. CONNALLY. If the Government insures up to 90 percent and the bank gets 100-percent insurance, it is going to let the builder have the money.

Mr. BULKLEY. The Government will insure the building and loan associations just the same. We will give them exactly the same benefits.

Mr. CONNALLY. I am glad the Senator is giving assurance that the committee is to consider these three amendments in January. It seems to me that right now is the time to consider them.

Mr. BULKLEY. The Senator understands, I hope, the reason of the committee for not considering them at this time. It was that we did not want to involve the Federal Savings and Loan Insurance Corporation and the home-loan banks, when we were in a hurry to get this bill through, for the reasons I have stated. It is a different administration.

Mr. CONNALLY. Exactly; but it all relates to the same thing, and it is all Federal jurisdiction. The answer of the Senator is that we are in a hurry, and that is exactly what should not be the case. We should not be in a hurry in handling a \$3,000,000,000 proposition.

Mr. BULKLEY. I have told the Senator exactly why we are in a hurry. It is because in effect we have the building industry stopped now, and there is no way to help that. That is the situation we are in.

Mr. CONNALLY. I thank the Senator, and I appreciate his explanation, which is very lucid and very interesting, but I do think that while we are considering this matter we should not take two bites at it. We ought to put it all through now and harmonize this with the building and loan association situation.

Mr. BULKLEY. We believe it can be much better harmonized by hearing the responsible officials of the home-loan banks and the building and loan associations.

Mr. CONNALLY. Why did not the Senator hear them?

Mr. BULKLEY. Because we have tried to confine the proposed legislation to housing, in the interest of conserving time. We are right up to the very last day now before the Christmas holidays, and we proceeded as fast as we could and heard only the Housing Administration. If we bring in other administrations or other matters, we do not know where we will stop, and we thought we ought to confine our attention to the one administration at this time.

Let me again assure the Senator that there is nothing in the bill which will cause any sudden upset of all the business conditions of the country. There is nothing that could possibly happen that could materially harm these associations before we will have time to give them adequate consideration next January.

Mr. CONNALLY. I should like to ask the Senator one other question.

Mr. BULKLEY. I shall be glad to answer.

Mr. CONNALLY. There is provision in the bill about refinancing existing mortgages. The final date is July 1, 1939, is it not?

Mr. BULKLEY. That is provided by existing law. The pending bill proposes to cut it off as of July 1, 1939.

Mr. CONNALLY. That is another thing of which the savings associations are complaining. They say that ought to cease on the 1st of July 1938, for the reason that the Housing Administration is entering the field of refinancing and competing with them when refinancing itself does not create any new houses. The purpose of this bill is to aid new construction.

Mr. BULKLEY. Let me show the Senator just how much they are damaged by that proposition. Under the existing law all private construction is eligible to be refinanced, and it is eligible to be refinanced without any limit of time. Now for the first time we are proposing to put a limit on it, and that limit is July 1, 1939. If we do not pass this measure, there will be no limit on it. Does the Senator think that they will be damaged by putting that limit on it? They complain that we do not cut it short enough. If we do not pass the bill, it will not be cut off at all.

Mr. CONNALLY. The Senator may be correct.

Mr. BULKLEY. I am correct about that.

Mr. CONNALLY. I am simply seeking information from a responsible member of the committee. I am simply putting that forth as one of the complaints which have reached me concerning the legislation. The insurance referred to will be good only for 80 percent?

Mr. BULKLEY. That is correct.

Mr. CONNALLY. The 90-percent insurance, I understand, does not apply to refinancing?

Mr. BULKLEY. No. It applies only to new construction.

Mr. CONNALLY. It applies only to new construction?

Mr. BULKLEY. Yes.

Mr. WAGNER. And only up to 1942.

Mr. BULKLEY. I should be glad to explain to the Senator that the Housing Administration is doing a considerable business in the refinancing of existing construction, getting a good premium income from it, and they did not want to be cut off any sooner than 1939. The Senate understands also that there is some doubt about whether they ought to be cut off at all at that date. In fact, the Senator from Massachusetts [Mr. WALSH] has complained that we are cutting them off. So we are really steering a middle course between the different views.

Mr. VANDENBERG. Mr. President, will the Senator from New York yield to me for a question?

Mr. WAGNER. I yield.

Mr. VANDENBERG. I am referring to page 41 of the Senate text, which appears to strike out section 36 of the House bill. As I understand section 36 of the House bill it would extend, under certain limitations, the existing privileges for the improvement and renovation of existing homes. Do I understand that the Senate bill eliminates all aid of that character?

Mr. WAGNER. The Senator is now speaking of title I?

Mr. VANDENBERG. Yes.

Mr. WAGNER. Yes, Mr. President.

Mr. VANDENBERG. The Senate bill eliminates all such aid?

Mr. WAGNER. Yes.

Mr. VANDENBERG. In cities like Detroit, particularly, and in the metropolitan area surrounding it there seems to be a very deep feeling that except as this sort of aid is continued, the new aid, which permits the creation of new sections with new homes, will almost destroy some of these sections where the older homes of Detroit are which still need the renovation aid under title I.

Mr. WAGNER. A little later I am going to ask the Senator from Ohio [Mr. BULKLEY] to discuss that feature of it, together with some other technical features of the legislation. I think I can say candidly that I was one of those who thought that title I, with all its drawbacks and the loss of money to the Federal administration, might, perhaps, be extended for another period of time. But the majority of the committee—and I will say their arguments were rather persuasive—felt that that ought not to be done, because the majority of these loans can be obtained from banks, and

they are now being obtained, without the Government guaranty and consequent risk of loss. Senators will remember that the Government charged no premium; that there was no limitation upon the interest which the banker may charge the prospective borrower; that there was no limitation upon the time in which he was required to repay it. There was no premium to be charged, and the statute fixed no limitation upon the amount of interest or the maturity date. In other words, we were not protecting the borrower by specific legislation in certain important respects.

The experience under title I has been rather unfortunate, because a considerable loss has been incurred by the Government. There was a question in the minds of the Senators whether that loss, which was expected to continue to some extent in the future, was offset by a sufficient contribution of the entire plan to the general welfare. The Senator from Ohio [Mr. BULKLEY] will go into more detail with respect to the actual experiences which the Government has had in the way of paying to the lending institutions their losses under these loans.

Mr. VANDENBERG. I understood that one of the chief objections, as the result of this experience to which the Senator refers, was the fact that so much of this money was used for the purchase and installation of equipment and machinery of one sort and another.

Mr. WAGNER. Those items did involve considerable losses.

Most of the losses, I am told, were incurred under loans of that character. But generally speaking, under title I, it seems to me, we are not giving very much protection to the borrower. Yet we are obliged to make whole the lending institutions up to 10 percent of their losses. I had a more liberal view about title I. I thought perhaps the employment which would be provided under it would outweigh the expenditure by the Government. The majority of the committee disagreed with me, and I was quite willing to submit to their perhaps superior judgment.

Mr. VANDENBERG. If the Senator will permit me I shall make just the further observation, that the text of the House bill definitely eliminates loans for the purchase and installation of equipment and machinery, so as to get around the major objection that has previously risen.

Mr. WAGNER. Yes. But the House bill includes one other provision which seems to me rather risky. It permits loans up to \$2,500 to be made, without security, for the construction of a new house. Where mortgage loans are insured under title II of the law the borrower is fully protected. His interest rate is fixed and other conditions are prescribed primarily for his protection. But under this new provision of title I an individual may go to a bank and secure \$2,500 upon a note. There is no limitation upon what interest rate may be charged, except as the Administrator may fix it by regulation. There is no provision for the amortization of that loan over a period of time, so as to give the new owner an opportunity to pay his obligation in installments over a long period of time. I view that provision with a great deal of concern. I do not know how the Senate will view it.

Mr. VANDENBERG. If the Senator will allow me to conclude. It is asserted to me that there are not sufficient lending facilities in the metropolitan area of Detroit, for instance, to deal with the needs for renovation and repair, and it is further asserted that there is a very deep-seated feeling that this bill creates a prejudicial situation if funds are available for new construction which creates a new home neighborhood somewhere else, and yet funds are withheld to recreate and renovate a previous area.

Mr. WAGNER. We do not withhold funds. As I understand, and I believe the Senator will agree with me, 70 percent of the lending institutions are continuing to make this type of loan since title I expired last April 6. We have not in any way frustrated the facilities for securing these loans. All that we have done is to take away from these institu-

tions the gratuitous security which the Government gives them. I doubt whether the granting of such security was justified even in the beginning, except as an emergency proposition.

Mr. VANDENBERG. I hope we may have a chance to vote directly on that question.

Mr. WAGNER. Undoubtedly we shall.

Mr. GEORGE. Will the Senator yield?

Mr. WAGNER. I yield.

Mr. GEORGE. I ask the Senator if the evidence before the committee indicated there were sufficient facilities for the handling of the loans of the title I type in the smaller communities, in the villages?

Mr. WAGNER. The Federal Housing Administrator, who has, of course, been in touch with this situation was of the personal opinion that this guaranty ought not to be continued. He expressed the conviction that there are ample facilities throughout the country for loans of this type without this guaranty by the Government against losses.

Mr. GEORGE. I have very great respect for the Administrator and his force, because I think he has done a very excellent job. I would have a great respect for his judgment, but I think that unless title I of the measure should be restored and new construction provided for under some limitation, the smaller towns and villages will not find facilities through which they can finance that kind of construction. And I think that while title I did, of course, expose the Government to certain risks—I think we all recognize that—at the same time I believe it did stimulate a great deal of business, and I think it helped a great deal, and I believe that under proper limitations there is still room for its retention in the bill.

I had hoped that the committee might retain the House amendment restoring title I under the limitations fixed by the committee, with such other limitations, of course, as might be necessary.

The Senator has considered the point that the borrower has no protection. I had the impression that the Housing Commission would not insure and could of course not be required to insure any loan unless it did meet certain conditions prescribed by the Commission so as to give the borrower a reasonable protection.

Mr. WAGNER. To begin with, let me say that my views, which were expressed to the committee, were substantially similar to those expressed by the Senator. I felt that there was still need for title I, so as to give home owners who might not be able to secure loans without security a chance to modernize, but I confess, as the discussion proceeded in the committee, my argument was considerably weakened by those who presented the opposite point of view. I do not know that there is any authority in the bill to prescribe, for instance, the period of time which the banking institution must give the borrower in which to repay the loan.

Mr. GEORGE. I had that impression; I thought that was one of the regulations adopted. It certainly ought to be, if it is not.

Mr. WAGNER. At any rate, I am at liberty to vote with the Senator under my reservation if the question comes up.

Mr. DAVIS. Mr. President—

Mr. SCHWARTZ. Mr. President, will the Senator yield for a question?

Mr. DAVIS. Mr. President—

Mr. WAGNER. I yield first to the Senator from Pennsylvania, who, I think, rose first.

Mr. DAVIS. Did the committee receive any testimony as to the number of houses in the country which should be reconditioned?

Mr. WAGNER. No; there are no accurate statistics on that point. The Senator means modernized, does he not?

Mr. DAVIS. Yes; modernized.

Mr. WAGNER. We have a record of the number of loans made for that purpose under title I. I will ask the Senator from Ohio if he recalls the amount?

Mr. BULKLEY. It is \$650,000,000.

Mr. WAGNER. The sum of \$650,000,000 has been loaned by institutions under title I to those who desire to modernize their homes. That will give the Senator some idea as to how much money has been spent for modernization. How many houses were covered I am unable to say, although there may be statistics as to that. The volume of the loans indicates that probably a million and a quarter homes were affected by title I, the owners of such homes making the loans to modernize them.

I wish to refer briefly to loans under section 207 and section 210. Then I am going to ask the Senator from Ohio to explain what I think is perhaps the most important provision in the bill, namely, the development of mortgage associations, so as to facilitate loans.

Mr. SCHWARTZ. Mr. President—

The PRESIDING OFFICER (Mr. POPE in the chair). Does the Senator from New York yield to the Senator from Wyoming?

Mr. WAGNER. I yield.

Mr. SCHWARTZ. The statement was made that, under the House provision reenacting title I, there was nothing to protect the borrowers or to limit the banker.

Mr. WAGNER. Perhaps I made too broad a statement. There are terms prescribed.

Mr. SCHWARTZ. On page 42, the House bill provides, among other things, as to loans—

Nor unless the obligation bears such interest, has such maturity, and contains such other terms, conditions, and restrictions as the Administrator shall prescribe in order to make credit available for the purposes of this title.

Is it not the opinion of the Senator that that will probably protect the borrowers?

Mr. WAGNER. I think I made too broad a statement when I said that there were no limitations provided. But there is no provision for a premium to be charged to the lender for insuring his loans, and there is, therefore, no fund created to cover losses. Those losses would have to be met directly by the Government.

Mr. SCHWARTZ. I should like to make one more suggestion to the Senator, in view of the statement he has just made as to the investment of some \$650,000,000 during the years 1935 and 1936 under title I. I understand that statistics show that the total loss under that form of loan was 1.16 percent.

Mr. WAGNER. The loss has been, net, only \$6,000,000 out of the total amount loaned.

Mr. DAVIS. What was the total amount?

Mr. WAGNER. It was \$650,000,000.

Mr. PEPPER. Mr. President—

The PRESIDING OFFICER. Does the Senator from New York yield to the Senator from Florida?

Mr. WAGNER. I yield.

Mr. PEPPER. Did not the President in his message recommend the revival of title I?

Mr. WAGNER. Yes; he did.

Mr. PEPPER. Is there any reason why we should not do that?

Mr. WAGNER. I have already announced that if such an amendment is proposed, I will vote for it.

Mr. PEPPER. I should like to give notice of an amendment providing for the revival of title I, the amendment to be presented at the appropriate time.

Mr. WAGNER. Mr. President, I have already taken too much time. I shall only refer briefly to the types of loans provided under section 207 and section 210.

Under section 207, the loans may be insured up to \$5,000,000. Such loans are not to exceed 80 percent of the value of the property, and the maximum per room is fixed at \$1,350. The rate of interest may not exceed 5 percent. I think it is safe to say that as to most of these loans, being in large amounts, the rate will be less than 5 percent. Experience thus far has indicated that interest on such loans is between 4 and 4½ percent. Insurance on these large-

type loans may be collected only if the property is assigned to the Administrator upon default, and prior to foreclosure proceedings. This provision is made because the larger the project the more important it is to prevent waste or deterioration between the time of the default and the time the property is taken over. We want to make that time as short as possible in order to protect the property and the Government's stake in it.

In connection with such loans under section 207, it was contended that, since the lender of the large sum of money had an absolute 100-percent guaranty against loss, there was no inducement on his part to be provident in the granting of the loan. In order that the lender might have a stake in the loan up to the time of its final liquidation, the committee provided that he shall retain a 5-percent interest for which he will receive a certificate of claim.

Under section 210 loans, including advances during construction, may be insured up to \$200,000, on a valuation of 80 percent. The interest rate may not exceed 5 percent. There is a limitation of \$1,150 per room on that part of the loan attributable to dwelling use. It may be difficult to build within metropolitan areas structures which have such a limitation, and it is therefore contemplated that loans under this section will probably be made upon properties in the outlying sections and in the communities with smaller populations.

Such loans may be made either for construction of individual homes to the extent of 25 or more or for the ordinary apartment house.

Mr. CONNALLY. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from New York yield to the Senator from Texas?

Mr. WAGNER. I yield.

Mr. CONNALLY. Under section 210 the limitation on loans is \$200,000. Is it intended that in the kind of structures to be erected under that section those occupying the buildings shall be owners or merely tenants?

Mr. WAGNER. They may be either. It is provided that houses may be built in units of 25 or more homes for individual occupancy.

Mr. CONNALLY. In case of a \$200,000 project, which would be an apartment house, all the negotiations and dealings would be with a builder and not with a tenant or the intended owner at all, would they not?

Mr. WAGNER. Oh, no.

Mr. CONNALLY. Somebody has got to build or arrange to build an apartment house.

Mr. WAGNER. Originally it would be undertaken by the builders.

Mr. CONNALLY. Personally, I am very much in favor of the initial home owner being aided and stimulated, but I do not think that the Government ought to invest two or three billion dollars in the building of apartment houses the builders of which are going to make some money or profit, or they would not build them, on the 90 percent Government guaranty. It seems to me that opens wide the door to speculation and juggling. Anybody who knows anything knows that building apartment houses in Washington and in other cities over a long period of years has been a terrific source of exploitation and highjacking. Right here in the city of Washington an investigation some years ago revealed shocking frauds in manipulating and building apartment houses.

Mr. WAGNER. In the first place the builder can have his loan insured only up to 80 percent of the value of the structure, so there is that limitation upon him.

Mr. CONNALLY. That value, of course, is dependent on the kind of appraisals made. We have had appraisals in all these experiences heretofore. One man may appraise at one figure and another one at 20 or 25 percent more.

Mr. WAGNER. Thus far the Housing Administrator has been very careful in his appraisals. Complaints have frequently been made that the appraisals made have been too conservative. If we are to encourage building, under proper

safeguards, I think this is a very important provision, because it takes care of more of the less populated sections of the country where there is this demand, not only for individual homes, but also for the smaller type of apartment houses. I am sure the Senator from Texas, upon reflection, will regard this as a rather useful provision, to give employment and to provide facilities for the people living in the less populated sections of the country.

We come now to what I regard as another very important provision of the bill. I am going to ask my colleague, the Senator from Ohio [Mr. BULKLEY] to discuss the title which relates to the mortgage associations. I think the entire bill depends largely upon the proper development of those associations.

May I say in closing: This bill has already won a very favorable response from all elements of our population throughout the country. I am confident that if promptly enacted into law, it will command the earnest and whole-hearted cooperation of labor and business. Given such cooperation, the legislation cannot but achieve the expectations held out for it. I firmly believe it will go a long way toward the solution of our unemployment problem, and enable us to achieve that lasting recovery toward which we have been bending all our efforts.

Mr. BULKLEY obtained the floor.

Mr. WAGNER. Mr. President, I suggest the absence of a quorum.

Mr. CONNALLY. Mr. President, a parliamentary inquiry.

The VICE PRESIDENT. The Senator will state it.

Mr. CONNALLY. We are proceeding now to the consideration of the bill as one entire amendment in the nature of a substitute for the House bill. Would it not be in order for the sponsors of the bill to ask that the amendment in the nature of a substitute be considered independently and taken up section by section?

The VICE PRESIDENT. The substitute is open to amendment in any portion. The House rules do not apply to the Senate. The substitute is being considered as an original bill.

The Senator from New York has suggested the absence of a quorum. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

| | | | |
|--------------|----------------|-------------|---------------|
| Adams | Dieterich | La Follette | Pope |
| Andrews | Donahay | Lodge | Radcliffe |
| Ashurst | Duffy | Logan | Reynolds |
| Austin | Ellender | Loung | Russell |
| Bailey | Frazier | Lundeen | Schwartz |
| Bankhead | George | McAdoo | Schwellenbach |
| Barkley | Gerry | McCarran | Sheppard |
| Borah | Gibson | McGill | Shipstead |
| Bridges | Graves | McKellar | Smathers |
| Brown, N. H. | Green | McNary | Steiwer |
| Bulkley | Guffey | Maloney | Thomas, Okla. |
| Bulow | Hale | Miller | Thomas, Utah |
| Burke | Harrison | Minton | Vandenberg |
| Byrd | Hatch | Murray | Van Nuys |
| Capper | Hayden | Neely | Wagner |
| Caraway | Herring | Norris | Walsh |
| Chavez | Hitchcock | Nye | Wheeler |
| Connally | Holt | O'Mahoney | White |
| Copeland | Johnson, Colo. | Pepper | |
| Davis | King | Pittman | |

The PRESIDING OFFICER (Mr. POPE in the chair). Seventy-eight Senators have answered to their names. A quorum is present. The Senator from Ohio [Mr. BULKLEY] has the floor.

Mr. BULKLEY. Mr. President, the Senator from New York [Mr. WAGNER] has already discussed the provisions of the bill to a degree which causes me to hesitate to take much time of the Senate in discussing it further. He has suggested, however, that I explain the provisions with reference to the organization of national mortgage associations.

Mr. VANDENBERG. Mr. President, before the Senator starts that discussion I should like to ask him a question, if he will yield for that purpose.

Mr. BULKLEY. Certainly.

Mr. VANDENBERG. May I ask the Senator his opinion regarding the retention of title I?

Mr. BULKLEY. Yes. I am glad to have the Senator ask that question. I think title I should not be revived at this time. Let me elaborate upon that statement.

When title I was written there were very few lending institutions in the country making loans of the character provided for by title I. The insurance which was offered by the Federal Government gave a great many institutions a start on that type of business, educated them how to handle it, showed them how it might be handled without a large percentage of loss. It has been handled without a large percentage of loss. Some 6,400 institutions have made loans under that title.

Last summer a questionnaire was sent out, after the title had expired last April, inquiring how many of the institutions would continue to make the loans anyway and absorb the losses themselves. More than half of the institutions which had made loans replied to the questionnaire, and those that replied were the ones which had done the bulk of the business. Two-thirds of those replies—68 percent, to be accurate—stated they were continuing to make the loans without the Government guaranty.

Title I was an original promotional effort. It was an educational effort. I doubt if any Senator could justify the continuance of the principle of title I as a permanent policy of the Government.

Let me explain why I make that statement. There is no premium charged for the insurance. There is no security, required for the loan. What the Government loses is out-and-out loss—100 percent loss, and while it may be justified as a promotional and educational effort, that part of it has been exhausted. We have combed the country over for 3 years during the time that title was in force and, I believe, have induced as many lenders as ever could be induced to lend under that section. Now the greater proportion of them are continuing to make the loans and absorbing the losses in the ordinary course of business, which they ought to do. As to those who are continuing to do that, the payment of this guaranty under title I is nothing but a pure subsidy on the business they are doing in any event. It does not induce them to do it at all. They are doing it as it is.

Now let me show you some striking examples of what happened while this title was in effect.

I have before me a list showing the exact amounts of all losses paid under that title. We have been requested to keep the names confidential, and I intend to observe that confidence; but, just as an example of what may happen and what did happen under this title, I am going to cite the cases of two great financial institutions in New York City, both of which were making loans of this general character before title I was written, both of which have continued to make loans of the same general character since the title expired last April, and yet one of them was reimbursed for losses incurred on loans made during those 3 years to the tune of \$848,000, and another one was reimbursed to the extent of \$795,000. Those were nothing but the payment of 100 percent subsidies out of the United States Treasury to big financial institutions in New York City which could perfectly well afford to carry their own losses, and were carrying similar losses before the law was enacted, and are carrying similar losses today.

On this list there is another bracket consisting of finance companies. Some of the finance companies are subsidiaries of great banks. A subsidiary of a great bank in the Northwest was reimbursed to the extent of \$1,948,000—a direct subsidy to that institution out of the United States Treasury. Down on this list are other finance companies, and the names of some of them disclose right on their faces that they are subsidiaries of concerns which are engaged in the manufacture and sale of building materials.

Mr. VANDENBERG. Mr. President, may I interrupt the Senator?

The PRESIDING OFFICER. Does the Senator from Ohio yield to the Senator from Michigan?

Mr. BULKLEY. Yes.

Mr. VANDENBERG. If there is anything scandalous about the administration of F. H. A., why is it that the names have to be withheld? Why is it not a matter of public record and a matter of public information?

Mr. BULKLEY. I have not said that there is anything scandalous about the administration. What I am contending is that it would be scandalous to reenact this title. Nothing has been done that they were not entitled to do under the law as we passed it; and I desire to exonerate both the institutions and the Housing Administrator. They did exactly what they were entitled to do under the law; and if there is any scandal it attaches only to us for writing such a law. As I said, I do think we were justified in enacting the law as a temporary matter at that time, and it never was enacted as anything except a temporary matter. It was supposed to expire on April 1, 1936, and then we gave it a year's extension to April 1, 1937, and then it did expire. I contend that there is absolutely no justification for reenacting it at this time.

Mr. VANDENBERG. Mr. President, may I ask the Senator whether the provisions and the new limitations written into the House bill in any way circumscribe adequately some of the unfortunate phases of the original act?

Mr. BULKLEY. I do not think they circumscribe them to any material extent at all. What happened was that when we extended the law for a year, from 1936 to 1937, we also, very unfortunately, and against my better judgment, extended the scope of it; and the extension of the scope to the refrigeration machinery and other types of equipment increased the losses without increasing any public benefits. Those things are now eliminated; but the essential vice of the whole thing remains in the House provision, because it is an absolute gift from the Federal Treasury for no adequate consideration moving to the Treasury or to the public.

Mr. VANDENBERG. Then let me ask the Senator another question. I am no more interested than he is in perpetuating the sort of practice he describes, but I am interested in equity; and I desire to know from the Senator whether it is not true that the passage of the new bill, which extends all of these facilities to new construction and withholds all of them from old construction, inevitably condemns the older sections of the large cities almost to an ultimate slum existence, and whether it does not prohibit the use of the facilities at all in the smaller communities which lack banking facilities?

Mr. BULKLEY. The Senator is not quite accurate in his statement. When he says, "these facilities," if he means the same kind of facilities provided in title I, there is nothing in the Senate committee's report that extends any such facilities anywhere, because title I is nothing but free insurance on an unsecured risk. We have no such thing at all in our bill as reported. In the first place, we have no free insurance. In the second place, we have no unsecured risks.

Mr. VANDENBERG. If the Senator will pardon me, he has nearly the equivalent of the thing he defines when he insures a bank 100 percent upon its investment in a loan, and permits the bank to collect 5-percent interest on it.

Mr. BULKLEY. The Senator is entitled to make that statement, but it is not quite accurate. The bank runs the risk of paying the cost of foreclosure, and the cost of foreclosure varies a good deal from one State to another. That risk is very substantial in some States. In other States it is less so; but it is not an unsecured risk. It is a very carefully secured risk; and, after all, a premium is paid which the actuaries of the F. H. A. believe will be sufficient to carry the losses.

Since we are on that subject, I will make the exception that as to the one-fourth of 1 percent provision of the bill that we have reported, we think there is an element of subsidy in that, not in favor of the banks, but in favor of the home owner, to this extent only: The one-fourth of 1 percent

is computed to be sufficient to pay all of these losses that will be incurred on this business, but it will not be sufficient, in addition to the loss payments, to pay the cost of doing the business. We have, therefore, provided in the bill we have reported that the cost of doing that business shall be charged to the general reinsurance fund, so that there shall be no chance of its being charged against any fund in which a borrower has some equitable interest; but it is a kind of insurance which is very easily and fundamentally distinguishable from what the Senator is advocating under title I. Beyond that, the bill as reported does not cut off all loans on existing property as of this date. Loans on existing property may still be made up to July 1, 1939.

Mr. PEPPER and other Senators addressed the Chair.

The PRESIDING OFFICER. Does the Senator from Ohio yield; and if so, to whom?

Mr. BULKLEY. I yield to the Senator from Florida.

Mr. PEPPER. I desire to make an inquiry. Has the President communicated to the committee any change in his recommendation that title I be revived?

Mr. BULKLEY. I have not heard directly from the President. I am advised that he does not care very much whether it is revived or not, but I do not feel any authority to speak for the President in the matter. If the President wants to have it revived, I am sure it is because he is not well informed, and the Administrator has not recommended that it be revived.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. BULKLEY. I yield to the Senator from Kentucky.

Mr. BARKLEY. In regard to title I and the financial situation referred to by the Senator, I think he stated—and it is a fact—that some 6,400 lending institutions cooperated with the Government during the life of title I and made loans under it, whereas prior to that time I think about 140 or 150 lending institutions were making that type of loans. The amount of money that was loaned under title I during its life was \$560,000,000, and there was a loss to the Government amounting to \$12,674,000. That loss was sustained by the Government largely on account of the transactions of some 100 banks out of the 6,400 that were cooperating with the Government.

The Senator knows, of course, as the committee knows, that in the committee I favored the retention of title I in the bill, not because it is necessarily vital but because it might pick up a considerable number of straggling homeowners who were not able to get in under the wire prior to the expiration of title I, due to the long course of education that it was necessary for the F. H. A. to undertake in order to explain what the rights of the home owners were. If it be true that the revival of title I might pick up a large number of these latecomers, many of whom at the very last tried to get in but did not—and I happen to know personally of a good many who did—

Would the fact that the Government had to pay considerable losses to a few large institutions which would have sustained their own losses justify Congress in refusing to revive title I if it would have been of benefit to a great number of others?

Mr. BULKLEY. That is a long question, but I think I can answer it satisfactorily. The \$12,000,000 figure is the amount which has been paid on claims. It is not the ultimate loss figure. We do not know what the ultimate loss figure will be. On the one hand, the \$12,000,000 will be somewhat reduced by salvage on some of the claims that were assigned to the Administrator. I do not think it will be increased by payments on delinquencies which have not as yet occurred, because considerable insurance is still outstanding, and we do not know what the ultimate loss will be. But the Administrator realizes that title I as it was written was part of an educational campaign rather than a financial transaction; and it is estimated that title I will have cost the Government at least \$35,000,000 by the time the accounts are all in. I am not objecting so much on the ground that the Government cannot afford to lose the money; I do not think

the Government is likely to lose any amount of money it cannot afford to pay in this connection, but I am objecting to the morals of it and to the practicability of it. I do not think any substantial number of losses will be incurred if title I is revived that would not have been incurred anyway. The pressure for title I is distinctly coming from the manufacturers and the sales organizations which are selling building products and would like to have the Federal Treasury reimburse them for what ought to be their ordinary trade losses on bad accounts.

Mr. BARKLEY. Of course, the Treasury does not reimburse a lumber company.

Mr. BULKLEY. It does if the lumber company has a finance company as a subsidiary, which is a perfectly simple matter, and which occurs time and again.

Mr. BARKLEY. That would be possible.

Mr. BULKLEY. It is not only possible, but it is very practicable.

Mr. BARKLEY. There are not very many lumber companies which have financial subsidiaries.

Mr. BULKLEY. There are more than the Senator may think.

Mr. BARKLEY. The point I wish to raise—and I do not want to take the Senator's time, because we are all anxious to dispose of the bill—is that if the losses to which the Senator has referred have occurred largely within, say, a hundred centers of population in the country, is it really a true picture of the benefits of title I when the opportunity was available to thousands of communities and thousands of institutions all over the country to revive construction and repair work and give employment to carpenters and others engaged in the building industry?

Mr. BULKLEY. The list I have before me shows well over a hundred; but the answer is that we have not the full picture as yet. There is much of this character of insurance which is outstanding and in the future subject to claims which have not as yet been made. This list includes only cases where payments have actually been made.

Mr. BARKLEY. It includes claims as low as \$868, and all the way up to more than a million dollars.

Mr. BULKLEY. It does not include any claim that has not been paid as yet; and we do not know how many more there will be.

Mr. BARKLEY. The well-organized financial institutions which have incurred losses and want to be reimbursed certainly have already come in.

Mr. BULKLEY. Yes; but they will do business anyway, whether or not we insure them.

So much for that subject. I am going now to discuss the national mortgage association provision unless someone has a question on this other subject. The original Housing Administration Act contained a provision for the organization of national mortgage associations with a minimum capital of \$5,000,000 and authority to issue their debentures or obligations to the amount of 10 times the paid-in capital stock. No associations were organized under that invitation. Later we amended the act and increased the authorization of the issuance of securities up to 12 times the paid-in capital stock, and still none have been organized. It is believed to be important for the development of this housing program that organizations should be formed in order to assist in the financing of the larger projects and to some extent in the financing also of individual homes. Further encouragement is needed for the organization of these associations.

The bill as reported provides for an increase in the authorization to issue debentures from 12 times the capital to 15 times the capital. The committee considered that very carefully and agreed that 15 times was a reasonable authorization, although the House bill provides for an increase to 20 times the authorized capital.

We have reduced the minimum required capital to \$2,000,000. It is further proposed by this bill to make the securities issued by such corporations exempt from taxation to the same extent as other similar obligations are

tax exempt. These securities are sold more or less in competition with securities of the United States Housing Authority, the Federal land banks, the home-loan banks, and the Federal Farm Mortgage Corporation, all of which have the right to issue tax-exempt securities.

Mr. PEPPER. Mr. President, will the Senator yield?

Mr. BULKLEY. I yield.

Mr. PEPPER. What would be the Senator's attitude toward an amendment which would reduce the eligible capitalization of these mortgage loan associations from \$2,000,000 to \$1,000,000?

Mr. BULKLEY. I do not think there is any one figure that is sure to be right. We cannot be certain about that. The authorities who have testified before us believe that the safety and profitableness of the organization are better safeguarded by a large capitalization, because the overhead expense of operating a million-dollar corporation is almost as much as the operating expenses of a two-million-dollar corporation, and the larger corporation gets a greater spread and diversification of business. So that as the capitalization is reduced, the factors of safety are reduced. But I am not sure that \$1,000,000 would not be all right. However, the committee considered that proposition and thought that \$2,000,000 would be fair.

Mr. BARKLEY. Mr. President, will the Senator yield again?

Mr. BULKLEY. Gladly.

Mr. BARKLEY. The theory upon which that decision was reached was that it is better to have a few strong organizations than to have a large number of smaller ones scattered over the country which cannot enjoy the stability and permanence and financial standing a larger organization could obtain.

Mr. BULKLEY. That is exactly right, and I share that view. I think we should make a further effort with the added encouragement we are giving in this bill without reducing the capital stock, but I do not think a reduction to \$1,000,000 would in any way ruin the structure.

Mr. COPELAND. Mr. President, will the Senator yield?

Mr. BULKLEY. I yield.

Mr. COPELAND. The Senator heard the questions I directed to my colleague this morning about the building and loan associations. Is it the Senator's belief that they have no complaint to offer on account of the formulation of the pending bill?

Mr. BULKLEY. I think they are offering some complaint, but, answering the Senator's question in another way, I do not think the bill will do them any damage. I believe that the amendments which are suggested in the telegram which I read a little while ago, signed by the chairman of the advisory council and other building and loan officials, ought to have very serious consideration by our committee. The amendments relate to competitive changes which these gentlemen believe will be brought about by the bill, and they ask for the amendment, not of the Housing Act, but rather of the acts creating the home-loan banks and the Federal Savings and Loan Insurance Corporation.

Mr. COPELAND. I take it the Senator intends to bring up that matter at another time.

Mr. BULKLEY. Yes; that has been stated and confirmed by the chairman of the committee, as well as by me.

Mr. COPELAND. Then, whatever justifiable complaint they have will perhaps be answered by further legislation?

Mr. BULKLEY. Let me assure the Senator that all the members of our committee are very solicitous for the welfare of the building and loan associations, and we certainly do not want to do anything which we believe would cause damage to them.

Mr. COPELAND. I am glad to hear that, because I think those associations are doing a very noble service.

Mr. BULKLEY. There is no doubt about that; the building and loan associations are performing a splendid service, and we want to hear from them further, and if there are

any competitive conditions really created that are fairly detrimental to them we want to cure them right away.

Mr. KING. Mr. President, this morning I called the attention of the Senator to a communication I had received from Mr. Dye, one of the leading representatives of these organizations. The Senator has that letter. Has the reply which the Senator has just made to the Senator from New York any relation to the points made in the letter to which I invited the Senator's attention?

Mr. BULKLEY. The reply I made does answer in general terms. On reading the letter, I may say that the Senator's correspondent discusses the question of terminating the law as to existing construction as of July 1, 1939, and that has already been discussed. They wanted us to terminate it a little sooner, but, as the Senator is aware, we are having some complaints that it is being terminated at all. So I think we have steered a middle course in that respect.

Mr. STEIWER. Mr. President, will the Senator yield?

Mr. BULKLEY. I yield.

Mr. STEIWER. I think this ground has been covered heretofore, but in order to make it perfectly clear to the Senator from New York and others, let me say that the subcommittee gave some little attention to the suggestions made by the building and loan associations for further amendment. We were not adverse to the amendments they suggested; we did not reach final conclusions respecting them; but it became obvious to us that the proposals for amendment related to the amendment of another law under the supervision of another agency of the Federal Government. I was one of those who thought the amendments ought to be considered. I was one of those who shared the feeling of the Senator from Ohio that we ought not to do anything to cripple the building and loan associations. I believe it to be true, however, that all the members of the subcommittee, after consideration, reached the conclusion that it was better to offer a separate bill dealing with these other amendments and to consider it separately early in the next session. The chairman of the committee and others assured us that consideration would be given to the proposal.

I have no doubt that in due time these amendments will be considered on their merits, and if it is believed that anything in this bill brings about a new competitive situation which is unfair to the building and loan associations the committee will act very promptly to bring before this body legislation which will enable Congress to deal with the problem.

Mr. COPELAND. Mr. President, will the Senator yield?

Mr. BULKLEY. I yield.

Mr. COPELAND. I am very much obliged to the Senator from Oregon [Mr. STEIWER] for what he has said. I realize that the legislative situation is such that it would be unfortunate now to go into an argument with respect to this particular matter, but I assume from what the Senator from Ohio said, as well as from what was said by the Senator from Oregon, that there will actually be prepared a bill which will be presented for consideration early in the next session. Am I correct about that?

Mr. BULKLEY. What I intended to say was that the committee would carefully consider the suggestions advanced by the building and loan interests, and would consider the comments thereon by the Home Loan Bank and the Deposit Insurance Corporation authorities, and try to come to some conclusion as to what ought to be done. I have not declared for any particular legislation in advance of hearing such presentations.

Mr. COPELAND. Leaving them a slender reed, then, with respect to this particular matter. If no one else introduces such a bill I am going to do it, because if the building and loan associations feel that they have any real grievance I think they should have an opportunity to state it, and present their views to the Senate, because for 100 years those organizations have done wonderful work in this country. I can speak feelingly, because ownership of the first house

I ever owned was made possible through one of those organizations. I know that is true of hundreds of thousands of home owners in America. We ought not to take any action which in any way would hamper that institution, which has shown its virtue for so many years that it has become a permanent American institution.

Mr. BULKLEY. I am not willing for the Senator to give any impression that I do not believe in the merits of the building and loan associations, or in the sincerity of their officers and representatives. I may not agree with every proposition they present, any more than I have found it possible on every occasion to agree with the Senator from New York.

Mr. KING. Mr. President, I may say that if the bill under consideration does materially injure the building and loan associations, or jeopardize their existence or their action in the future, I shall not vote for the bill.

Mr. BULKLEY. After very careful consideration, I am sure there is not the remotest possibility of such a thing occurring; but even if the bill injured them to a much less degree, we still ought to consider the matter and have a full hearing on the matter in the committee next month.

There is another suggestion in the letter which the Senator from Utah has handed to me, and it refers to an endorsement and guarantee on the amount above 80 percent of any of these 90-percent loans. I will say to the Senator that the subcommittee of which I am chairman adopted such a provision and recommended it to the full committee, and the full committee, by a very close vote, rejected it. There is a legitimate difference of opinion about that matter. The reason why it was rejected was because we thought so many contractors and builders are of such questionable responsibility that it would not do very much good, but that in every case it would slow down and make the operation more difficult; and the committee came to the conclusion that in the emergency which we feel we are in, in endeavoring to revive the building industry we would not be justified in encumbering the measure with that provision. The committee did consider it most carefully, however, and almost adopted it.

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. BULKLEY. I yield.

Mr. VANDENBERG. If there is any appreciable sentiment in the committee in favor of requiring endorsement on 15 or 20 percent of the loan, I should think there would be a very substantial committee sympathy with the proposition to cut the insurance from 100 percent to 95 percent or 90 percent. What does the Senator say about that?

Mr. BULKLEY. What I say about that is that we have had a great deal of controversy on that point insofar as it affects the larger loans under section 207, and with respect to that we did in effect reduce the amount to 95 percent. We provide that the lender, in case of a default on the large mortgages, may, on request of the Administrator, assign the mortgage with all of the accompanying claims to the Administrator and be relieved of the cost of foreclosure, but will receive in debentures only 95 percent of the amount of the claim; and that is precisely what we have recommended in the bill.

With respect to the smaller loans, we thought such action was not necessary for the reason that I have already outlined—that in those cases the lender has to go to the expense and risk of foreclosure and getting a good title, and we thought that was enough penalty for him.

Mr. VANDENBERG. The Senator would resist an amendment to reduce the insurance to 95 percent in the smaller brackets of loans?

Mr. BULKLEY. I should, on the ground that the committee has carefully considered it and thought there was enough penalty in those cases. I will say to the Senator from Michigan, however, that I do not think it would be a very material amendment. I do not think it would hurt the operation very much.

Mr. KING. Mr. President, will the Senator yield?

Mr. BULKLEY. I yield.

Mr. KING. I apologize for interrupting the Senator's very admirable address, but I am very much concerned in regard to the point made in the letter I handed the Senator from Mr. Dye. I received a telegram from one of the leading builders in my State. I am advised that he is one of the officers of one of the companies engaged in building, and so on. He states as follows:

The situation seems obvious that the pending bills—

Speaking of the House and the Senate bills—

without some amendments—

Those are the amendments suggested, I think, in the letter to which I have referred—

will destroy the whole Federal savings and loan set-up, resulting in loss of the entire source of home financing, and probable loss to Government on insurance of shares. Associations just beginning to attract flow of private money for lending, and confidence is restored by insurance of shares and membership in Federal home loan bank system, and able to pay dividends. Any step which sets back this recovery means step toward continued public financing rather than private financing of whole housing situation.

S. P. DOBBS.

I commend this telegram to the attention of the members of the committee, because I know that this man is earnest and sincere, and he knows the building business.

Mr. BULKLEY. Of course, I would not question his sincerity, but I can assure the Senator that there is not a single member of our committee who would agree with that judgment. We certainly went over the suggestions very carefully, and we do not agree that the bill as reported is going to be of any substantial detriment to the building and loan associations.

Mr. COPELAND. Mr. President, will the Senator yield?

Mr. BULKLEY. I yield.

Mr. COPELAND. Is the bill so safeguarded that a speculative builder could not get a loan under it to build a dozen houses to rent or sell?

Mr. BULKLEY. It is safeguarded so far as one can safeguard such a thing by law. It is a question of administration and inspection. The Administrator is charged with the duty of inspecting and protecting us against such things.

Mr. COPELAND. Then when that inspection is made there will actually be an inquiry as to the prospective owner and his circumstances, so that there will be as good assurance as can be had that it is really a bona fide home-building proposal?

Mr. BULKLEY. Yes. Construction loans, I will say, are authorized to be made in advance of the knowledge of identity of individual purchasers. A concern might make a construction loan under section 210 to build a series of houses before it knew to whom it was going to sell the houses. When the houses were ultimately sold to the home owners, of course, the identity of the individual home owners would be disclosed, and their responsibility would be subject to reasonable check.

Mr. COPELAND. Suppose such a builder were to build 10 houses at \$5,000 each, or a total of \$50,000. How much could he borrow to begin with?

Mr. BULKLEY. \$40,000; 80 percent of the total.

Mr. COPELAND. And it would simply be the decency and good standing of the individual who applied for the loan which would determine whether or not it would be granted?

Mr. BULKLEY. The decency and good standing of the individual, plus the Administrator's judgment as to the value of the property and the appropriateness of the development.

Mr. COPELAND. Then, as a matter of fact under that plan could not a speculative builder proceed to put up 10 houses, although at the time he had no thought as to who would buy those houses, and ultimately they might be left upon his hands, and the Government have a loss accordingly?

Mr. BULKLEY. He certainly could build them without knowing the identity of the purchasers, but the likelihood of

his doing it in an ill-advised way is safeguarded in three different ways. In the first place, he does not want to make the commitment and put his own investment into it and be stuck with the houses. In the second place, the lender of the money would not want such a thing to happen, and would recheck against it. In the third place, the Administrator, who has to insure the loan, would make a further check. So we have at least a triple check against it.

Mr. COPELAND. I thank the Senator.

Mr. MCGILL. Mr. President, may I interrupt the Senator? The PRESIDING OFFICER. Does the Senator from Ohio yield to the Senator from Kansas?

Mr. BULKLEY. I yield.

Mr. MCGILL. I should like to understand better than I do the provision on page 45 with reference to the insurance of \$16,000 mortgages on dwellings designed for residential use for not more than four families. I observe that there is no provision within that paragraph making it applicable to buildings under construction or which may have been constructed or the construction of which is begun in 1937. I should like to know whether or not under this provision a mortgage of not to exceed \$16,000 could be insured regardless of when the building was constructed. In other words, could there be insured an old mortgage that had been in existence for a period of several years on that type of building?

Mr. BULKLEY. That may be done under existing law; but by the provisions of this bill that is made to cease as of July 1, 1939.

Mr. MCGILL. But up until July 1, 1939, a mortgage covering a building adapted to the use of four families up to an amount of \$16,000 could be insured regardless of when the building was constructed or when the mortgage indebtedness was incurred?

Mr. BULKLEY. That is correct.

Mr. COPELAND. Mr. President, will the Senator yield to me once more?

The PRESIDING OFFICER. Does the Senator from Ohio yield further to the Senator from New York?

Mr. BULKLEY. I yield.

Mr. COPELAND. I regret to encroach upon the time of the Senator, but he made reference to section 210. I observe on page 76, line 2, that in such a speculative building scheme—I called it that before—the number provided is 25 single-family dwellings. Why was the number placed at 25 instead of 10, we will say?

Mr. BULKLEY. There again there is no certainty that one figure has any magic in it. Twenty-five was considered to be the lowest number that could well be built on a wholesale scale, and the section contemplates the wholesale construction of houses.

Mr. COPELAND. If the Senator will permit me, the purpose of this bill is to encourage home ownership. My judgment is that the so-called speculative builder might not be capable of putting up 25 houses when he might be capable of erecting 10. Would the Senator see any objection to changing the number 25 to 10?

Mr. BULKLEY. Again, while I do not think that would wreck the bill, it is the judgment of the Administrator that 25 is a better minimum because it insures a more economical operation.

Mr. COPELAND. That may be true, but I can see that in a small community, a small city or town, there might be ready sale or use for 10 dwellings when 25 would be altogether out of thought; that would be too great a number altogether. I am quite earnest when I say that, in my opinion, the number should be reduced, perhaps, to 10.

Mr. BULKLEY. I think I have said all I can about it. The best judgment we were able to obtain was that 25 was a better number, though I could not say that 24 would be fatal or that 10 would be fatal.

Mr. COPELAND. Does the Senator see some virtue in what I have stated?

Mr. BULKLEY. I see the Senator's point of view, but I think the other point of view is a better one.

Mr. COPELAND. I am not so sure about that. I think we could have 10 groups of 10 houses built before we could have four groups of 25 houses built. I believe that the benefit of the bill, if that change were made, would reach down into the smaller communities and reach families who, perhaps, in many ways would be better qualified to carry the burden later when they assumed it. In the city of New York, for instance, there are few people who own their own homes. As I remember, 93 percent of the homes in New York are rented. This bill is not going to do much good, at least, this feature of it, in New York City, although it might accomplish good in certain suburbs and outlying sections of the city. Consider a smaller city in my State, a city such as Port Jervis, for example. It would be absurd to erect 25 houses when it might be wise and provide all the benefits of the bill if a group of 10 could be built.

Mr. SCHWELLENBACH. Mr. President, will the Senator yield on that point?

The PRESIDING OFFICER. Does the Senator from Ohio yield to the Senator from Washington?

Mr. BULKLEY. I yield.

Mr. SCHWELLENBACH. There is no reason why the Administrator, if he felt that it was necessary to have 25 buildings erected, could not refuse to approve a loan for, say, less than 25 if the limit was only 10 as suggested by the Senator from New York.

Mr. BULKLEY. I think that is true.

Mr. COPELAND. But, if the Senator will permit me, the bill says:

Covering property upon which there is to be constructed one or more multifamily dwellings or a group of not less than 25 single-family dwellings.

Mr. SCHWELLENBACH. I am suggesting that if the number were changed to 10 the Administrator could still refuse to insure a loan if he thought that 25 were necessary. There is nothing mandatory about it.

Mr. BULKLEY. I think that is true. Frankly, the matter never was considered by the committee. We simply took expert advice on it.

Mr. COPELAND. At the proper time, if I may, I am going to propose that the number be changed to 10 instead of 25. I think it would be a benefit.

Mr. BULKLEY. I do not think that is material; I do not think it makes much difference.

Mr. WAGNER. Mr. President, will the Senator yield?

Mr. BULKLEY. I yield.

Mr. WAGNER. So far as New York City is concerned, in the Queens County section there have been built, under the present law, with the 80-percent loan provision, about 25 percent of all the homes that have been built in the United States in recent years. So that New York City has been benefited directly by the present act, and it seems to me it will benefit a little more by the pending bill.

Mr. COPELAND. Mr. President, may I ask a colleague does he not feel that in Queens and the outskirts of the Bronx there would be a greater prospect for the erection of buildings if the group were cut to 10 instead of 25?

Mr. WAGNER. The Senator means under the provision for \$200,000 loans in section 210?

Mr. COPELAND. Yes.

Mr. WAGNER. I see no objection to that. I feel, after all, it is within the discretion of the Administrator as to whether or not he will insure the loan at all. I think the Senator from Ohio and I will agree to accept that amendment.

Mr. COPELAND. Is it proper now to offer it?

Mr. BULKLEY. I ask unanimous consent that the amendment may be offered now.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Ohio that the amendment offered by the Senator from New York be now considered? The Chair hears none, and the clerk will state the amendment to the committee amendment.

The LEGISLATIVE CLERK. In the committee amendment, on page 76, line 2, it is proposed to strike out "25" and insert "10."

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from New York to the amendment reported by the committee.

The amendment to the amendment was agreed to.

Mr. BULKLEY. Mr. President, I have no desire to consume the time of the Senate further. I think all the important phases of the bill have been covered, but the details are entirely too numerous to be discussed in a brief compass on the floor.

Mr. BRIDGES. Mr. President, I have listened to the remarks of the senior Senator from Ohio [Mr. BULKLEY] in his explanation of the bill. I differ with him in one very material respect, and that is the elimination of title I of the Federal Housing Act. It seems to me, in view of the President's recommendation, plus the action of the other House, particularly as many Members of that body have now journeyed to their homes, that if we are going to enact housing legislation at the present special session, we should keep faith with title I of the present act.

I have heard the remarks made by the distinguished Senator as to certain organizations and associations which will stand to benefit by title I. May I read into the RECORD a letter from the National Retail Lumber Dealers' Association, which most of the Members of this body have received today and which deals with this subject in a rather concrete way? The letter is written and signed by Mr. Frank Carnahan, Washington, D. C., secretary of the National Retail Lumber Dealers' Association, and reads as follows:

NATIONAL RETAIL LUMBER DEALERS ASSOCIATION,
Washington, D. C., December 20, 1937.

Subject: Amendments to National Housing Act.

Hon. H. STYLES BRIDGES,

United States Senate, Washington, D. C.

MY DEAR SENATOR: The Senate will be called upon today to pass amendments to the National Housing Act, all of which are proclaimed to the public as a means to end the depression, to build thousands of homes, and to put millions of men to work. With the clicking of cameras and the flashing of bulbs, the Senate Banking and Currency Committee yesterday completed its colossal task of reporting out a bill with recommendations which, in our opinion, will have little, if any, effect on the building situation. The Senate Banking and Currency Committee has deleted from the administration's bill the most important and the only section, in our opinion, that would do any good—that is, the section which would have renewed title I of the National Housing Act providing for modernization and repairs. This one section of the act, we are confident, if renewed, would influence modernization and repair work to the extent of over \$300,000,000 this next year, with a nominal cost to the Government.

In our opinion, all the rest of the features of the proposed amendment are pure bunk when it comes to any effect they may have on stimulating building. Why mislead the public about 90-percent loans when under the present act there is a provision for 80-percent loans, yet the average loan under the F. H. A. today is only 71 percent? Perhaps, if the limitation is raised to 90 percent, we may reach a high average of 75 percent, but if 90-percent loans are so desirable now, why has not the Federal Housing Administration been making 80-percent loans?

By elimination of title I, renewal of which was recommended by the President in his message to Congress, and which, in our opinion, has been the only feature of the F. H. A. that has been entirely successful, the Senate Banking and Currency Committee has, in our opinion, taken away the one feature that might have stimulated use of materials and put men to work.

It may be stated to you that the need for this section of the act has expired. This is not a true statement of fact. There is a tremendous demand for modernization and improvements on run-down property, and the citizens of the country are today in better position to assume credit responsibilities to make these improvements than they were 3 years ago; yet, in 1935-36, when the original title I was in effect, over \$560,000,000 worth of repair work was done—and the ratio of net loss on this amount of business was 1.16, as stated by Stewart McDonald, on page 19 of the hearings on the housing bill before the House Banking and Currency Committee.

This association, together with 15 other national associations representing the entire building industry, has repeatedly tried to impress upon Federal Housing Administrator McDonald and the Congress that they should do something to renew this work. If the purpose is to move goods and increase employment, do not pass this proposed legislation without extending title I. This office has

been deluged with telegrams and long-distance calls from small industrial banks and lending institutions which are eager to go ahead and make loans as they previously did under title I, urging the cooperation of the building industry to properly present this matter to Congress. But pressure against renewal is coming from larger financial institutions, which have gone into this modernization feature since it expired last April and are today charging \$7 and \$8 discount, or interest of 14 to 16 percent, advising Congress that loans are being taken care of, and that there is no need for Government insurance. We say to you that there is this need, that there is this demand, and that you can only fulfill it by a continuation of the 10-percent guaranty under title I. The mere fact that the Government is behind it will lend confidence to the citizens of the country, and they will go ahead again and make needed repairs. The House Banking and Currency Committee unanimously adopted renewal of title I. These Representatives know the true situation in all the outlying districts of the Nation, and they know that there is this demand.

There are two things that will revive the building industry today; one is the renewal of title I, and the other is some small encouragement to private industry to concentrate on \$1,500 to \$3,000 homes, which is fully 75 percent of our demand today. We are proud to say to you that the retail lumber dealers of this country have built thousands upon thousands of this class of homes during the last 2 or 3 years, and if initial mortgage money and liberalization of property restrictions could be secured, we could build many more thousands during the next several years. We have during the past year built fine quality houses throughout the United States with an average selling price, including lot, as follows:

| | |
|--------------|---------|
| 4-room house | \$3,165 |
| 5-room house | 3,555 |
| 6-room house | 3,858 |

And we will build thousands more if you will give us the little encouragement needed.

Very truly yours,

FRANK CARNAHAN, *Secretary.*

Mr. PEPPER. Mr. President, I send to the desk an amendment, which I offer.

The VICE PRESIDENT. The Senator from Florida offers an amendment.

Mr. BRIDGES. Just a moment. I have the floor yet.

The VICE PRESIDENT. The Chair begs the Senator's pardon.

Mr. BRIDGES. I have received many communications from my section of the country, and the manifest interest is in a renewal of title I of the Federal Housing Act. To that end I offer the amendment which I send to the desk and ask to have read.

The VICE PRESIDENT. The amendment will be read for the information of the Senate.

The LEGISLATIVE CLERK. At the end of the bill it is proposed to insert the following new section:

SEC. 13. Section 2 of title I of the National Housing Act is hereby reenacted and as so reenacted is amended (1) by striking out "April 1, 1936, and prior to April 1, 1937", and inserting in lieu thereof "the date of the enactment of the National Housing Act amendments of 1937 and prior to July 1, 1939", and (2) by striking out "\$100,000,000" and inserting in lieu thereof "\$125,000."

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from New Hampshire to the committee amendment in the nature of a substitute.

Mr. BRIDGES. On that I ask for the yeas and nays.

Mr. BARKLEY. Mr. President, I desire to ask the Senator from Ohio [Mr. BULKLEY] with respect to the proposal of the Senator from New Hampshire. The House bill contains a provision for the revival of title I. Is not the substitute proposed by the Senate committee the same as the text of the House bill except for the amendments inserted therein by the Senate committee, eliminating that title? Is not the simplest way to get a vote on that proposal simply by disagreeing to that part of the Senate committee amendment which eliminates the proposal to revive title I of the House bill?

Mr. BULKLEY. Mr. President, I do not think there is any way to do that, because the Senate committee amendment is one amendment in the nature of a substitute.

Mr. PEPPER. Mr. President, a parliamentary inquiry. I have on the desk an amendment to the bill now before the Senate, which is an amendment proposing to revive title I, which is the House provision on that subject. May I not

offer that as a substitute for the amendment offered by the Senator from New Hampshire?

The VICE PRESIDENT. The Senator may do so.

Mr. PEPPER. Very well. I offer an amendment as a substitute for the amendment of the Senator from New Hampshire.

The VICE PRESIDENT. The clerk will report the amendment in the nature of a substitute offered by the Senator from Florida for the amendment of the Senator from New Hampshire.

The CHIEF CLERK. At the end of the bill it is proposed to insert the following:

SEC. 13. Section 2 (a) of the National Housing Act, as amended, is further amended—

(a) By striking out the words "April 1, 1936, and prior to April 1, 1937" in the first sentence of such subsection and inserting in lieu thereof the words "the date of the enactment of the National Housing Act amendments of 1937 and prior to July 1, 1939";

(b) By striking out from such sentence the words "additions upon improved" and inserting in lieu thereof the words "improvements upon urban or rural";

(c) By striking out from such sentence the words "and the purchase and installation of equipment and machinery upon such real property";

(d) By striking out the last two sentences of such section and inserting in lieu thereof the following: "In no case shall the insurance granted by the Administrator under this section to any such financial institution on loans, advances of credit, and purchases made by such financial institution for such purposes on and after the date of the enactment of this act exceed 10 percent of the total amount of such loans, advances of credit, and purchases. The total liability which may be outstanding at any time plus the amount of claims paid in respect of all insurance heretofore and hereafter granted under this section and section 6, as amended, shall not exceed in the aggregate \$100,000,000."

SEC. 14. Section 2 (b) of such act, as amended, is further amended to read as follows:

"(b) No insurance shall be granted under this section to any such financial institution with respect to any obligation representing any such loan, advance of credit, or purchase by it, if the amount of such loan, advance of credit, or purchase exceeds \$10,000 with respect to loans, advances, or purchases for financing repairs, alterations, or improvements upon existing structures, or exceeds \$2,500 with respect to loans, advances, or purchases for financing the building of new structures, nor unless the obligation bears such interest, has such maturity, and contains such other terms, conditions, and restrictions as the Administrator shall prescribe in order to make credit available for the purposes of this title."

The VICE PRESIDENT. The question is on agreeing to the amendment of the Senator from Florida [Mr. PEPPER] in the nature of a substitute for the amendment of the Senator from New Hampshire [Mr. BRIDGES]. [Putting the question.] The yeas seem to have it.

Mr. BULKLEY. Mr. President, I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

| | | | |
|--------------|----------------|-------------|---------------|
| Adams | Davis | La Follette | Pittman |
| Andrews | Dieterich | Lodge | Pope |
| Ashurst | Donahay | Logan | Radcliffe |
| Austin | Duffy | Loneragan | Russell |
| Bailey | Ellender | Lundeen | Schwartz |
| Bankhead | Frazier | McAdoo | Schwellenbach |
| Barkley | George | McCarran | Sheppard |
| Borah | Gerry | McGill | Shipstead |
| Bridges | Gibson | McKellar | Smathers |
| Brown, N. H. | Graves | McNary | Steiwer |
| Bulkley | Green | Maloney | Thomas, Utah |
| Bulow | Hale | Miller | Townsend |
| Burke | Hatch | Minton | Vandenberg |
| Byrd | Hayden | Murray | Van Nuys |
| Capper | Herring | Neely | Wagner |
| Caraway | Hitchcock | Norris | Walsh |
| Chavez | Holt | Nye | Wheeler |
| Connally | Johnson, Colo. | O'Mahoney | White |
| Copeland | King | Pepper | |

The VICE PRESIDENT. Seventy-five Senators have answered to their names. A quorum is present. The question is on the amendment in the nature of a substitute offered by the Senator from Florida for the amendment of the Senator from New Hampshire.

Mr. BULKLEY. On that I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. STEIWER. Mr. President, a parliamentary inquiry.

The VICE PRESIDENT. The Senator will state it.

Mr. STEIWER. Am I correct in understanding that the question is on a substitute for the amendment of the Senator from New Hampshire and that the substitute is the text of the House bill relating to title I?

The VICE PRESIDENT. The Chair so understands. The yeas and nays have been ordered. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. VANDENBERG (when his name was called). On this question I have a pair with the senior Senator from Illinois [Mr. LEWIS]. Not knowing how he would vote if present, I withhold my vote. If at liberty to vote, I should vote "yea."

The roll call was concluded.

Mr. HALE (after having voted in the negative). Has the Senator from South Carolina [Mr. BYRNES] voted?

The VICE PRESIDENT. That Senator has not voted.

Mr. HALE. I have a general pair with the Senator from South Carolina. I understand, however, that if he were present he would vote as I have voted. Therefore I will allow my vote to stand.

Mr. SHIPSTEAD. I have a general pair with the senior Senator from Virginia [Mr. GLASS]. I do not know how he would vote if present, and therefore withhold my vote. If at liberty to vote, I should vote "nay."

Mr. BARKLEY. I announce the unavoidable absence of the Senator from North Carolina [Mr. REYNOLDS], who is in attendance upon the Interstate Commerce Commission on official business, and state that if present he would vote "yea."

Mr. McKELLAR (after having voted in the affirmative). I understand that my general pair, the Senator from Delaware [Mr. TOWNSEND], is not present. I transfer my pair with him to the senior Senator from Louisiana [Mr. OVERTON], and will let my vote stand.

Mr. McNARY (after having voted in the affirmative). I have a general pair with the Senator from Mississippi [Mr. HARRISON]. I transfer that pair to the Senator from California [Mr. JOHNSON], and will allow my vote to stand.

Mr. BARKLEY. The Senator from Pennsylvania [Mr. GUFFEY] is detained in a conference at the White House.

Mr. MINTON. I announce that the Senator from Tennessee [Mr. BERRY] and the Senator from Delaware [Mr. HUGHES] are absent from the Senate because of illness.

The Senator from Mississippi [Mr. BILBO], the Senator from Washington [Mr. BONE], the Senator from Michigan [Mr. BROWN], the Senator from South Carolina [Mr. BYRNES], the Senator from Missouri [Mr. CLARK], the Senator from Iowa [Mr. GILLETTE], the Senator from Virginia [Mr. GLASS], the Senator from Alabama [Mrs. GRAVES], the Senator from Mississippi [Mr. HARRISON], the Senator from Oklahoma [Mr. LEE], the Senator from Illinois [Mr. LEWIS], the Senator from Arkansas [Mr. MILLER], the Senator from New Jersey [Mr. MOORE], the Senator from Louisiana [Mr. OVERTON], the Senator from South Carolina [Mr. SMITH], the Senator from Oklahoma [Mr. THOMAS], the Senator from Missouri [Mr. TRUMAN], the Senator from Maryland [Mr. TYDINGS], and the Senator from Montana [Mr. WHEELER] are unavoidably detained.

The result was announced—yeas 46, nays 22, as follows:

YEAS—46

| | | |
|--------------|----------------|-------------|
| Andrews | Davis | La Follette |
| Austin | Dieterich | Lodge |
| Bankhead | Duffy | Logan |
| Barkley | Ellender | Loneragan |
| Borah | George | McAdoo |
| Bridges | Gibson | McCarran |
| Brown, N. H. | Green | McKellar |
| Bulow | Hatch | McNary |
| Capper | Hayden | Minton |
| Caraway | Herring | Murray |
| Chavez | Hitchcock | Nye |
| Copeland | Johnson, Colo. | O'Mahoney |

NAYS—22

| | | | |
|----------|----------|---------|---------------|
| Adams | Connally | King | Radcliffe |
| Ashurst | Donahay | Lundeen | Schwollenbach |
| Bailey | Frazier | McGill | Smathers |
| Bulkeley | Gerry | Maloney | Steiner |
| Burke | Hale | Neely | |
| Byrd | Holt | Norris | |

NOT VOTING—28

| | | | |
|--------------|-----------------|-----------|---------------|
| Berry | Glass | Lewis | Thomas, Okla. |
| Bilbo | Graves | Miller | Townsend |
| Bone | Guffey | Moore | Truman |
| Brown, Mich. | Harrison | Overtton | Tydings |
| Byrnes | Hughes | Reynolds | Vandenberg |
| Clark | Johnson, Calif. | Shipstead | Wheeler |
| Gillette | Lee | Smith | White |

So Mr. PEPPER's amendment in the nature of a substitute for Mr. BRIDGES' amendment was agreed to.

The VICE PRESIDENT. Without objection, the amendment of the Senator from New Hampshire, as amended, will be agreed to.

Mr. LODGE. Mr. President, I offer the amendment which I send to the desk and ask to have stated.

The VICE PRESIDENT. The amendment offered by the Senator from Massachusetts will be stated.

The CHIEF CLERK. On page 77 in the committee amendment, it is proposed to strike out all of lines 17 to 19, inclusive, and to insert in lieu thereof the following:

SEC. 211. The Administrator is authorized and directed to make such rules and regulations as may be necessary to carry out the provisions of this title: *Provided*, That the rates of pay for persons employed upon the construction of property covered by a mortgage insured under this title shall be not less than prevailing rates of pay for work of a similar nature in the same locality, as determined by the Department of Labor with the approval of the President: *Provided further*, That adequate labor standards shall be maintained on all construction of property covered by a mortgage insured under this title.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Massachusetts [Mr. LODGE] to the amendment reported by the committee.

Mr. LODGE. I call for the yeas and nays.

The yeas and nays were not ordered.

Mr. McNARY. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

| | | | |
|--------------|----------------|-------------|---------------|
| Adams | Davis | La Follette | Pittman |
| Andrews | Dieterich | Lodge | Pope |
| Ashurst | Donahay | Logan | Radcliffe |
| Austin | Duffy | Loneragan | Reynolds |
| Bailey | Ellender | Lundeen | Russell |
| Bankhead | Frazier | McAdoo | Schwartz |
| Barkley | George | McCarran | Schwollenbach |
| Borah | Gerry | McGill | Sheppard |
| Bridges | Gibson | McKellar | Shipstead |
| Brown, N. H. | Graves | McNary | Smathers |
| Bulkeley | Green | Maloney | Steiner |
| Bulow | Hale | Miller | Thomas, Utah |
| Burke | Hatch | Minton | Townsend |
| Byrd | Hayden | Murray | Vandenberg |
| Capper | Herring | Neely | Van Nuys |
| Caraway | Hitchcock | Norris | Wagner |
| Chavez | Holt | Nye | Walsh |
| Connally | Johnson, Colo. | O'Mahoney | Wheeler |
| Copeland | King | Pepper | |

The VICE PRESIDENT. Seventy-five Senators have answered to their names. A quorum is present. The question is on agreeing to the amendment offered by the Senator from Massachusetts [Mr. LODGE] to the amendment reported by the committee.

Mr. McNARY. I call for the yeas and nays.

Mr. PITTMAN. Mr. President, I should like to have the amendment restated.

The VICE PRESIDENT. The clerk will again state the amendment.

The amendment was restated.

Mr. CONNALLY. Mr. President, a point of order.

The VICE PRESIDENT. The Senator will state it.

Mr. CONNALLY. I make the point of order that the amendment has already been rejected.

The VICE PRESIDENT. The Chair thinks that to so hold would be taking an advantage. The Chair announced that not sufficient hands were raised to second the demand for the yeas and nays, and that was officially the decision of the Chair. The Senator from Oregon asked for a quorum, and after a quorum developed the Chair is of opinion that he must give the Senate an opportunity to say whether it desires to have the yeas and nays called.

Mr. CONNALLY. The Senator from Texas made the point of order because as a matter of fact a quorum was

present. The rule provides that one-fifth of those present must second a demand for the yeas and nays before the yeas and nays may be ordered. The fact that not a sufficient number seconded the demand for the yeas and nays in nowise is proof that there was not a quorum present, and the presumption is that there was a quorum present, because there had just been a quorum call, and the presumption that there is a quorum present continues up to the time when the absence of a quorum is suggested.

The VICE PRESIDENT. The Senator states an obvious truth. However, the Senate of the United States has a rule which the Chair must observe. Seventy-five Senators answered to their names on the recent roll call. Immediately the yeas and nays were demanded. It was the duty of the Chair to determine whether a sufficient number seconded the demand, and the Chair performed that duty.

Mr. NORRIS. Mr. President, I do not desire to take the time of the Senate in discussing the amendment, but I should like to inquire of the Senator from New York or the Senator from Ohio what the objection to the amendment is. The amendment strikes me as containing a very good proposal. If there is any reason why it should not be put into the bill, I should like to hear it.

Mr. WAGNER. The Senator did not understand me to make any objection to it. I made no objection. I propose to vote for the amendment if there is a roll call.

Mr. NORRIS. I did not so understand.

The VICE PRESIDENT. The question is on agreeing to the amendment.

Several Senators demanded the yeas and nays.

The VICE PRESIDENT. Is the demand seconded? The Chair is of opinion that not a sufficient number second the demand.

Mr. McNARY. The roll call showed 75 Senators responding.

The VICE PRESIDENT. Seventy-five Senators answered to their names, and 12 hands were raised to second the demand for the yeas and nays.

SEVERAL SENATORS. Regular order!

The VICE PRESIDENT. The Chair undertakes always to preside in a constitutional manner and tries to be fair and accurate. This is a constitutional matter, and the Chair counted as accurately as he knew how.

Mr. McNARY. I appreciate that, but we are all given to making errors now and then. I think probably the count the clerk made was not quite accurate. I now ask for a standing count.

Mr. KING. Regular order.

The VICE PRESIDENT. Of course, the Chair admits that the Senator from Oregon [Mr. McNARY] is correct in stating that errors do occur.

Mr. McNARY. Mr. President, only 15 were necessary in order to require a roll call.

The VICE PRESIDENT. The Senator is correct.

Mr. McNARY. And the Senator from Oregon counted 17.

The VICE PRESIDENT. In view of the statement of the Senator from Oregon—

Mr. BARKLEY. Mr. President, under the rules of the Senate, whose duty is it to count, the duty of the Senator from Oregon or of the Vice President?

The VICE PRESIDENT. The rules do not provide anything about it. It happens that there are no rules on the question. When the present occupant of the Chair came to the Senate it had been the custom for a number of years, the Chair was informed, for the clerk to do the counting. The Chair submitted the matter to the Senate once before, being of opinion that it was his duty to do the counting, and the Senate acquiesced. If the Senate desires to have the clerk do the counting in the future, in view of the suggestion that the Chair has made an error this afternoon, the present occupant of the Chair will be very glad to be relieved of that duty.

Mr. McNARY. Mr. President, I do not allege that the Chair made an error. Perhaps I have. But in view of the

charges and counter charges, I think my request for a standing count should be granted.

The VICE PRESIDENT. The Chair thinks that in view of the Senator's positive statement that he counted 17 hands, there should be a recount.

Mr. CONNALLY. Mr. President, I make the point of order that the Chair has announced the count, and that the action of the Chair can only be overruled on an appeal from the decision of the Chair, and not in this fashion.

The VICE PRESIDENT. The present occupant of the Chair thinks he has discretion in the premises. If the Senator from Texas thinks otherwise, and he desires to make a point of order and the Senate desires to debate it, the Chair will be very glad to have that done. The Chair would like to be relieved of this responsibility as far as possible, but whenever the Constitution requires action on the part of the Senate, it occurs to the Chair that it is his duty to see that the constitutional provision is carried out so far as possible, and that is why the Chair took the responsibility of counting, to see whether one-fifth of those present were in favor of having a roll call, because if so, under the Constitution they were entitled to a roll call.

Mr. BORAH. Mr. President, may I ask what is before the Senate at this time?

The VICE PRESIDENT. The Senator from Oregon has asked that the Chair make a recount.

Mr. BORAH. I thought that had been disposed of, and I was about to discuss the amendment.

The VICE PRESIDENT. No; it has not been disposed of. The Chair asks that those seconding the demand for the yeas and nays raise their hands and keep them raised until they are counted. [After counting.] A sufficient number of hands is raised, and the clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. McNARY (when his name was called). On this vote I have a pair with the senior Senator from Mississippi [Mr. HARRISON], which I transfer to the senior Senator from California [Mr. JOHNSON] and vote "yea."

Mr. SHIPSTEAD (when his name was called). I have a pair with the senior Senator from Virginia [Mr. GLASS]. I am not informed as to how that Senator would vote if he were present, and I withhold my vote. If permitted to vote, I would vote "yea."

Mr. VANDENBERG (when his name was called). On this vote I have a pair with the senior Senator from Illinois [Mr. LEWIS]. Not knowing how he would vote, in his absence I withhold my vote.

The roll call was concluded.

Mr. HALE. I have a general pair with the junior Senator from South Carolina [Mr. BYRNES], who is absent, but I am informed that if present he would vote as I intend to vote. I vote "yea."

Mr. MINTON. I announce that the Senator from Tennessee [Mr. BERRY] and the Senator from Delaware [Mr. HUGHES] are absent because of illness.

The Senator from Florida [Mr. ANDREWS], the junior Senator from Mississippi [Mr. BILBO], the Senator from Washington [Mr. BONE], the Senator from Michigan [Mr. BROWN], the junior Senator from South Carolina [Mr. BYRNES], the senior Senator from Missouri [Mr. CLARK], the Senator from Iowa [Mr. GILLETTE], the Senator from Virginia [Mr. GLASS], the senior Senator from Mississippi [Mr. HARRISON], the junior Senator from Oklahoma [Mr. LEE], the Senator from Illinois [Mr. LEWIS], the Senator from California [Mr. McADOO], the Senator from Nevada [Mr. McCARRAN], the Senator from New Jersey [Mr. MOORE], the Senator from Louisiana [Mr. OVERTON], the senior Senator from South Carolina [Mr. SMITH], the senior Senator from Oklahoma [Mr. THOMAS], the junior Senator from Missouri [Mr. TRUMAN], and the Senator from Maryland [Mr. TYDINGS] are unavoidably detained.

Mr. BARKLEY. The Senator from Pennsylvania [Mr. GUFFEY] is detained in a conference at the White House.

The result was announced—yeas 51, nays 17, as follows:

YEAS—51

| | | | |
|----------|-----------|----------------|--------------|
| Adams | Dieterich | Johnson, Colo. | Pepper |
| Austin | Donahay | La Follette | Pittman |
| Bankhead | Duffy | Lodge | Pope |
| Barkley | Ellender | Loneragan | Reynolds |
| Borah | Frazier | McGill | Schwartz |
| Bridges | Gerry | McKellar | Sheppard |
| Bulkeley | Gibson | McNary | Smathers |
| Capper | Graves | Maloney | Thomas, Utah |
| Caraway | Green | Murray | Van Nuys |
| Chavez | Hale | Neely | Wagner |
| Connally | Hayden | Norris | Walsh |
| Copeland | Hitchcock | Nye | Wheeler |
| Davis | Holt | O'Mahoney | |

NAYS—17

| | | | |
|--------------|---------|-----------|---------------|
| Bailey | George | Lundeen | Schwellenbach |
| Brown, N. H. | Hatch | Miller | Steiner |
| Bulow | Herring | Minton | |
| Burke | King | Radcliffe | |
| Byrd | Logan | Russell | |

NOT VOTING—23

| | | | |
|--------------|-----------------|-----------|---------------|
| Andrews | Clark | Lee | Smith |
| Ashurst | Gillette | Lewis | Thomas, Okla. |
| Berry | Glass | McAdoo | Townsend |
| Bilbo | Guffey | McCarran | Truman |
| Bone | Harrison | Moore | Tydings |
| Brown, Mich. | Hughes | Overton | Vandenberg |
| Byrnes | Johnson, Calif. | Shipstead | White |

So, Mr. LODGE's amendment to the amendment of the committee was agreed to.

Mr. LA FOLLETTE. Mr. President, I offer an amendment which I send to the desk and ask to have stated.

The VICE PRESIDENT. The amendment will be stated.

The CHIEF CLERK. On page 50, after line 13, it is proposed to insert:

(d) The Administrator is authorized to insure, pursuant to the provisions of this section, any mortgage which (A) covers a farm upon which a farm house or other farm buildings are to be constructed or repaired, and (B) otherwise would be eligible for insurance under the provisions of paragraph (b) of this section: *Provided*, That (1) the construction and repairs to be undertaken on such farm shall involve the expenditure for materials and labor of an amount not less than 15 percent of the total principal obligation of said mortgage; (2) the mortgagor shall establish that he cannot obtain credit on equally advantageous terms from any private- or public-lending agency or institution; and (3) the Secretary of Agriculture, or his designee, shall certify that the farm if operated on a sound farm management basis can reasonably be expected to yield a return sufficient to enable the mortgagor to operate the farm and to amortize the mortgage indebtedness in accordance with its terms.

Mr. LA FOLLETTE. Mr. President, there is practical unanimity of feeling, so far as I am aware, that if possible some opportunity should be afforded to enable this measure to operate in the rural communities. We are all aware of the appalling conditions in many rural localities with respect to housing. I believe that the language proposed by my amendment provides a practical means of making this measure applicable to the rural communities. I have conferred with the Senators in charge of the bill, and I feel sure they will accept the amendment.

Mr. WAGNER. Mr. President, I agree with what the Senator from Wisconsin has said; and, speaking for the Senator from Ohio [Mr. BULKLEY] and myself, we accept the amendment.

Mr. MALONEY. Mr. President, will the Senator yield so that I may ask him a question?

Mr. LA FOLLETTE. I yield.

Mr. MALONEY. Will this amendment, if adopted, provide that the farmer may get a loan on his farm and a new dwelling in excess of the cost of the dwelling?

Mr. LA FOLLETTE. No. The reason for inserting the words "not less than 15 percent" is simply to indicate that the situation which it will be necessary to take into consideration on a farm is that there is more land there than there will be in an urban community where this bill is to apply, and, of course, the regulations will take care of the situation and properly safeguard it. The Senator realizes that a very different rule must be applied when the larger acreage on the farm is considered in relation to the value of the buildings to be constructed upon the farm.

Mr. MALONEY. But I understand from the Senator that it is not his intention to provide that there may be a loan on

new farm construction in excess of the cost of the building or buildings.

Mr. LA FOLLETTE. If this measure is to operate in rural communities we must take into consideration the fact that the farmer owns a much larger percentage of land in proportion to the building than is the case in the urban centers.

Mr. MALONEY. I am afraid I do not make myself clearly understood. What I fear is that the farmer may have a farm in the form of a building lot valued at \$5,000, and he may build a house valued at \$1,000. I am wondering if he may get a loan on the combined \$5,000 and \$1,000 value.

Mr. LA FOLLETTE. The intent of the amendment is to permit the responsible authority to take into consideration the land value involved in an operation in a rural community just as they take into consideration the land value in an operation in an urban community.

Mr. MALONEY. Then, in view of that explanation, I shall have to base my vote on the assumption that under this F. H. A. set-up we are willing to loan a farmer money far in excess of the value of the building he may construct.

Mr. LA FOLLETTE. That is not the intent, I may say; but if the Senator will consider the problem further, he will see that a very different situation exists insofar as the rural problem is concerned than that with respect to an urban community. It is only to take care of that condition that the "not less than 15 percent" provision has been placed in the amendment.

Mr. O'MAHONEY. Mr. President, is it not a question of security?

Mr. LA FOLLETTE. It is. That is correct.

Mr. O'MAHONEY. And the security which is provided with respect to an urban dwelling and with respect to a rural dwelling is exactly the same?

Mr. LA FOLLETTE. That is correct.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Wisconsin [Mr. LA FOLLETTE] to the amendment of the committee.

The amendment to the amendment was agreed to.

Mr. SHIPSTEAD. Mr. President, I send to the desk an amendment, which I ask to have stated.

The VICE PRESIDENT. The amendment will be stated.

The CHIEF CLERK. On page 63, line 21, after the word "associations", it is proposed to insert—

Cooperative societies which are legal agents of owner-occupants.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Minnesota [Mr. SHIPSTEAD] to the committee amendment.

The amendment to the amendment was agreed to.

The VICE PRESIDENT. The question is on agreeing to the amendment of the committee as amended.

The amendment of the committee as amended was agreed to.

The VICE PRESIDENT. The question is, Shall the amendment be engrossed and the bill be read a third time?

The amendment was ordered to be engrossed and the bill to be read a third time.

The VICE PRESIDENT. The question is, Shall the bill pass?

Mr. STEIWER. Mr. President, I wonder if I may not have unanimous consent to call attention to page 49, line 7, where there appears to be an incongruity as to the meaning of the words "such premium." I invite the attention of the Senator from New York [Mr. WAGNER] to that matter. Would the Senator be agreeable to inserting the word "all" before the word "such", so that it would clearly show that the premiums referred to are all the premiums in that section and not merely those referred to in the three preceding lines?

Mr. WAGNER. There is a possibility, Mr. President, that a rather strict construction may be put upon the word "such" so as to include only one type of premium, and the amendment suggested by the Senator from Oregon really ought to be made in the interest of clarity.

Mr. STEIWER. Mr. President—

Mr. WAGNER. Mr. President, I ask unanimous consent—

Mr. STEIWER. I defer to the chairman of the committee.

Mr. WAGNER. I ask unanimous consent that the word "such" be eliminated and that there be substituted therefor the words "all such."

Mr. STEIWER. I say to the Senator from New York that I discussed the matter with the counsel for the Federal Housing Administration, and he suggested merely the insertion of the word "all" before the word "such."

Mr. WAGNER. It would be necessary to have the word "such" stricken out, and the words "all such" inserted.

Mr. STEIWER. Very well. I ask unanimous consent to have that amendment to the committee amendment considered.

The VICE PRESIDENT. Is there objection to the unanimous-consent request of the Senator from Oregon [Mr. STEIWER]? The Chair hears none. The question is on the amendment of the Senator from Oregon [Mr. STEIWER] to the committee amendment.

The amendment to the amendment was agreed to.

Mr. DAVIS. Mr. President, I have listened attentively to the remarks made by the eminent Senators from New York and Ohio [Mr. WAGNER and Mr. BULKLEY] in respect to the possible influence which this measure may have on the building and loan associations. They have indicated their belief that the bill will have no adverse influence on those associations, and this point of view has been confirmed by discussion, following questions asked by the Senator from New York [Mr. COPELAND] and the Senator from Utah [Mr. KING].

There are thousands of my constituents in Pennsylvania whose home ownership has been and is being made possible only through building and loan associations, and I should not be willing to vote for this measure if it would place them in jeopardy. The Senator from New York [Mr. COPELAND] has indicated that at the beginning of the regular session of Congress he will bring to the floor any measures necessary to secure the rights of the building and loan associations. I shall join him in this matter.

Mr. President, I ask unanimous consent to have printed in the RECORD letters and telegrams received from the following persons whose interests are affected by this bill: William Reinhardt, president, Pennsylvania Building & Loan Associations; David G. Morgan, Allegheny County League of Building & Loan Associations; Norman E. Clark, New Castle Mutual Building & Loan Association; Samuel Stern, secretary, Philadelphia County League Building & Loan Associations; J. G. Good, secretary, Home Protective Savings & Loan Association; E. H. Stumpf, the Flintkote Co.; Robert T. Houlden, Pittsburgh, Pa.; D. C. Burns Realty & Trust Co.; Arthur F. Schmidt, Pittsburgh, Pa.; William Fischer, secretary, Spring Hill Building & Loan Association; Joseph Hermann, Monaca Federal Savings & Loan Association.

There being no objection, the matter referred to was ordered to be printed in the RECORD, as follows:

PENNSYLVANIA LEAGUE OF
BUILDING & LOAN ASSOCIATIONS,
December 20, 1937.

Senator JAMES J. DAVIS,
Washington, D. C.

MY DEAR SENATOR: The Pennsylvania League of Building & Loan Associations, having the responsibility of investing the savings of 650,000 thrifty citizens of the Commonwealth of Pennsylvania, through our 1,250 member associations having assets totaling more than \$600,000,000, respectfully request your consideration of the new housing legislation (H. R. 8520) from our practical side of the question.

Please consider the proposed housing legislation along the following lines:

1. Ninety-percent mortgage loans have always proved to be unsound. However, if 90-percent mortgages are to be made—and if it does encourage new construction, the construction industry will profit most. Therefore, why not require the construction industry to assume some of the liability by contributing to an insurance pool to insure the loans until the unpaid balance is reduced to 75 percent? Great Britain's 90-percent mortgage loans operate under a plan such as this.

2. Little savers must be encouraged by a reasonable return on their savings, otherwise thrift institutions will not have the money

to make any mortgage loans. The Government's baby bonds pay 2.9 percent interest. We naturally pay more dividends than the Government. Reducing our interest rate on mortgage loans to 5 percent will prevent our institutions from operating successfully, and this will further retard new housing.

3. National mortgage associations are not needed. The Federal Home Loan Bank System, paying its own way, is capable of doing the job. Is it truly private enterprise if Government capital must be used to organize national mortgage associations for the purpose of making and purchasing mortgages insured by the United States Government through the Federal Housing Administration?

4. We suggest it is not proper for the United States Government to adopt a permanent policy of guaranteeing or insuring private mortgage debts by placing it on a subsidy basis with the United States Treasury obligated to pay the lenders if a future depression causes widespread mortgage default.

5. Thrift institutions such as ours are today doing one-half to two-thirds of all home financing in this country.

We will gladly cooperate if given a reasonable opportunity.
Respectfully,

PENNSYLVANIA LEAGUE OF
BUILDING & LOAN ASSOCIATIONS,
WM. REINHARDT, President.

Attest:

GEO. W. CLIFFE,
Secretary-Treasurer.

ALLEGHENY COUNTY LEAGUE OF BUILDING
AND LOAN ASSOCIATIONS,
Pittsburgh, Pa., December 18, 1937.

Hon. JAMES J. DAVIS,
Washington, D. C.

DEAR SENATOR: To give you the reactions of your many friends back home on the housing bill, S. 3055, now before your honorable body, I enclose a resolution which is self-explanatory. We feel that you are fully informed as to the operation and objectives of these time-honored institutions and nothing should be done to cripple them. The objective of any good citizen should be to become the owner of a home. It is a grievous mistake to encourage a man to buy a home on a 90-percent loan. He has very little equity and very shortly becomes dissatisfied with the heavy burden he carries and gives up in despair; in the meantime the loaning institution becomes the target for his misfortune.

Having come from the ranks, you will appreciate this language.
Very truly yours,

DAVID G. MORGAN.

Resolution in opposition to H. R. 8520 and S. 3055 by the Allegheny County League of Building and Loan Associations, Pittsburgh, Pa.

Whereas the President of the United States, Hon. Franklin D. Roosevelt, has by message to the Congress asked that body for the enactment of a measure in enlargement of the present laws which make provisions for instrumentalities created by the Government of the United States to bring forth an extensive campaign of building houses and structures and providing financial means whereby dwellings can be obtained by the down payment of only 10 percent on the part of the purchasers of said dwelling places, and giving him 20 years to pay the balance of 90 percent at the interest rate of 5 percent, and yield to the loaners being 5½ and 5¼ percent; and

Whereas the measures are before the Congress known as H. R. 8520 and S. 3055, making the provision to carry out the suggestion as contained in the President's message; and

Whereas the Allegheny County League of Building and Loan Associations, comprising 300 units within the borders of Allegheny County, Pa., and having assets of \$750,000,000, by its executive committee, consisting of all the officers of such league, and representatives of the constituted associations, has met and given fullest consideration to the bills aforesaid, does earnestly make objection to the passage of these bills for reasons, some of which are as follows:

1. The President has sensed in his message setting forth the plan that he feels losses may result in the operation of the scheme, which, he says, "If any costs should result to the Government, it will be negligible when measured by the volume of construction," etc.

2. The Government's conduct of this proposition resulting in any losses means losses of billions of dollars to the little lenders attached to the building and loan institutions of our county and the country at large who cannot compete with same.

3. Loaning 90 percent to the individual does not put him in a position where psychologically he can feel that he has enough invested to make it worth while to keep his payments made, resulting in inevitable failure of the plan.

4. The building and loan associations cannot lend with any safety whatever to its shareholders 90 percent of the value of the property; it would be charged with the utmost poor judgment by those whose money is involved.

5. The building and loan associations of Pennsylvania and of the country have been engaged for over 100 years in actively financing the repair, buying, building, and owning of homes. During 1936 these concerns throughout the country loaned nearly a billion dollars, and 1937 will pass that figure. A governmental scheme such as provided for in this measure and operating at a loss will place our institutions in a position where they cannot operate at all.

6. The building and loan institutions during the 100 years and more that they have been in the home-financing business have

helped and assisted 8,000,000 families to acquire their homes, and these folks attest the usefulness and benefits of our institution. The people are willing to still continue their faith in our associations without the supposed necessity of a governmental proposition to be operated, according to our President, at a loss.

7. The measures put the banks further into the house-financing field. Their place is undoubtedly on the commercial side of business.

Therefore be it

Resolved by the executive committee of the Allegheny County League of Building and Loan Associations in meeting assembled, After fully discussing the entire terms and features of H. R. 8520 and S. 3055, and whose officers and management have had much experience in the home-financing field, and with the desire to give due credit to our President in his wish to relieve the present difficulties suffered by the people of our country, yet does not and cannot conceive that the plan presented can have any effect other than complete economic failure, resulting in loss to the great throng belonging to our building and loan movement and many others.

Therefore our institutions are absolutely opposed to the passage of these bills as drawn and urge all our Senators and Representatives in the Congress of the United States to oppose and prevent the passage of the same.

This resolution adopted by unanimous vote December 16.

ARTHUR F. SCHMIDT,
President.

Attest:

DAVID G. MORGAN,
Secretary.

NEW CASTLE MUTUAL BUILDING AND LOAN ASSOCIATION,
Newcastle, Pa., December 17, 1937.

Senator JAMES DAVIS,
Washington, D. C.

DEAR SENATOR DAVIS: I should like to discuss with you President Roosevelt's new housing bill. First, let us look at section 7, pages 3 and 4. I gather that the proposal is to make 90-percent loans on owner-occupied houses. I believe you will agree with me that this is hardly sound, for if the 90 percent is financed on the basis of a 20-year loan, the payments will be so small that the reduction of the loan will be very slight in 4 or 5 years, and without question the depreciation and obsolescence on the property during that period would wipe out the purchaser's equity in the same. Then there are other things to be considered, such as shifting of districts and a possible depreciation in real-estate values. Taking these things into consideration it would seem to me that it would be quite dangerous practice for an association which is a guardian of small savers' funds to participate in these 90-percent loans. It would seem more reasonable to me to allow the percentage to remain as is or possibly reduce it to 75 percent.

I also notice that section 9, page 5, requires the reduction of the insurance premium paid by the borrower to one-fourth of 1 percent on the diminishing balance. Inasmuch as the former rate on 80-percent loans was one-half of 1 percent on the original balance, it seems unreasonable to think that we can safely insure these mortgages up to 90 percent at one-fourth of 1 percent.

Section 26, page 32, has to do with the forming of national mortgage associations. I have always been a strong supporter of the Federal home-loan bank system, the Federal Savings and Loan Associations, and the Federal Savings and Loan Insurance Corporation. I believe they have the credit facilities necessary to put on a very worth-while housing program in America. As far as the banks are concerned I can see no necessity for these associations, for they already have the privilege of discounting their mortgages with the Federal Reserve System.

It is my thought that there are three things which could be done which would stimulate the flow of funds into building and loan associations, thereby increasing the funds available to support a housing program:

First. It would seem reasonable that building and loan associations which are insured by the Federal Savings and Loan Insurance Corporation should not pay a higher insurance premium than the banks which are insured in the Federal Deposit Insurance Corporation. The banks pay one-twelfth of 1 percent and the rate for the Federal Savings and Loan Insurance Corporation is one-eighth of 1 percent with a possible additional one-eighth assessment.

Second. Many State-chartered associations would insure their accounts in the Federal Savings and Loan Insurance Corporation and thereby would be in a position to attract new funds to their associations if the examinations of the associations were paid for by the corporation.

Third. The method of liquidating an insolvent association is quite a slow process, the shareholder receiving 10 percent of his funds in cash and the balance in non-interest-bearing debentures over a period of 3 years. I believe it would be wise to place a rate of 2 percent on these debentures and in this way make investments in insured building and loan associations more attractive.

I shall appreciate your giving consideration to these thoughts. I do not claim they will solve the situation, but from my experience in the building and loan business, I believe the things I have mentioned would be of assistance to a housing program.

I should be very happy to discuss this further with you at your convenience.

Yours truly,

NEW CASTLE MUTUAL BUILDING AND LOAN ASSOCIATION,
NORMAN E. CLARK, Secretary.

PHILADELPHIA, PA., December 20, 1937.

HON. JAMES J. DAVIS,

United States Senate, Washington, D. C.

The Philadelphia County League of Building and Loan Associations approve 90-percent financing of homes only if 5 percent or more of purchase price left with lending institution by those profiting on sales. Does not approve of reduction in interest rate, as this would retard the investment of private funds in our institution, because we could not pay sufficient rate of dividends after deducting operating costs. We also recommend adoption of amendments to existing legislation as proposed by the United States Building and Loan League, particularly the following: Reduce premium charge by Federal Savings and Loan Insurance Corporation to one-twelfth of 1 percent, same as premium to commercial banks, and have Federal Savings and Loan Insurance Corporation assume examination costs in connection with insured institutions, as charge of \$25 per day is exorbitant. Provide for interest at not less than 2 percent to be paid on debentures of the Insurance Corporation given in case of default. We wish to co-operate with the President's program to build new homes, but also wish our institutions to be in a position to compete with other lending institutions. Your support of this program is requested, and will be greatly appreciated by our league.

SAMUEL STERN,
Secretary, Philadelphia County League of
Building and Loan Associations.

HOME PROTECTIVE SAVINGS AND LOAN ASSOCIATION,
New Brighton, Pa., December 15, 1937.

Senator JAMES J. DAVIS,
Washington, D. C.

DEAR SENATOR DAVIS: The future of the building and loan associations rests greatly upon the passage of the proposed amendments to the Federal Housing Administration as proposed by President Roosevelt. You are, no doubt, familiar with the building and loan situation in the State of Pennsylvania, as being one of the largest financial groups in the State and the safest and best field open for the small investor.

The institutions are now being insured by the Government in the same manner in which the banks are insured, and this naturally will create greater confidence with these investors. To invite the small investor or the workingman it will be necessary to give him a fair return on his investment. This amendment as proposed will reduce the return to the small investor by reducing the interest rate on mortgages.

The amendment proposes to increase the percentage to be loaned from 80 to 90 percent, which, in our opinion, would be very risky and would be possibly buying the property should we have even a slight depression in this country. Our experience previous to the depression was to make loans up to 66½ percent of a fair appraised value, and when it became necessary for the association to exchange our mortgages for Home Owners' Loan Corporation bonds, a Government agency, we could not, in most cases, receive the actual amount due us. It also proposes to create a national mortgage association, which would be in direct competition to the building and loans, especially in the field dealing with home-mortgage loans.

We earnestly urge that you use your influence in defeating such adverse legislation to the building and loan associations of this country.

Yours very truly,

HOME PROTECTIVE SAVINGS AND LOAN ASSOCIATION.
For the board of directors:

J. G. GOOD, Secretary.

THE FLINTKOTE CO.,
Pittsburgh, Pa., December 14, 1937.

HON. JAMES J. DAVIS,

United States Senate, Washington, D. C.

DEAR SIR: In the President's special message of November 29, 1937, there was included a recommendation that insurance be provided for repair and modernization loans similar to that formerly provided for under title 1 of the National Housing Act.

Such insurance stimulated construction and added to the public welfare by making funds available for this type of work at minimum cost.

Immediately following the enactment of the National Housing Act a marked improvement in construction was noticeable, whereas a decline followed when Congress did not extend the provisions of title 1 on April 1, 1937.

A modernization program at this time will have a desirable effect, as it will provide immediate employment until such time that employment can be taken up by the new construction program.

May I ask you to add your support to this legislation?

Very truly yours,

E. H. STUMPF.

PITTSBURGH, Pa., December 18, 1937.

HON. JAMES J. DAVIS,
United States Senator from Pennsylvania,
Senate Office Building, Washington, D. C.

MY DEAR SENATOR: I have been associated with the building and loan association movement in Pittsburgh and vicinity in Allegheny County for a period of 25 years, and I am writing you this letter respecting the passage of the housing bill known as S. 3055. This bill provides for instituting Government instrumentalities for the purpose of building and selling houses and dwelling places to people, and, according to the plan, these folks need only to pay 10 percent down and the balance of 90 percent in 20 years at 5 percent.

It appears as an unwise measure. An individual who only pays down 10 percent in the purchase of a property has not the psychological interest to continue payments. You know enough about the natures of people to O. K. that proposition. You also know that styles of houses change in less than 20 years. In fact, every 10 years we see a different architecture and different character to house building, with equipment far different than those prior to that time, and people will shelve themselves out of houses that are out of date and seek to go elsewhere, according to the trend of the changes in houses, construction, and equipment. This would leave the Government holding the bag in a great many cases. But first of all, our building and loan associations cannot compete with a Government institution wherein only 10 percent is paid down by the buyer. We have found that conservatism prompts us to loan on the basis of at least 25 percent being paid by the borrower for the purchase of any property. Notwithstanding that fact, we find that during this depression we have been compelled to foreclose in many cases.

I urge your opposition to this bill. The passage thereof, to my mind, will put the building and loan associations out of business, so that they may not be able to function.

Yours very truly,

ROBERT T. HOULDEN.

THE C. D. BURNS REALTY & TRUST CO.,
Denver, Colo., December 16, 1937.

Senator JAMES J. DAVIS,
Washington, D. C.

DEAR SENATOR: Recently the National Association of Real Estate Boards filed a brief with the Senate Finance Committee, the House Ways and Means Committee, and with the subcommittee of the House Ways and Means Committee, appointed to study revenue revision, of which Hon. FRED M. VINSON is chairman.

We are extensive holders of subdivisions and have done a great deal of home building in the past and we believe that a gross injustice will be done to us and people in similar position in the personal holding company provisions of the Income Tax Act.

All laws that tend to slow up business activity and retard building cannot help but be an obstacle in the way of prosperity. We fully realize the tremendous responsibility and the awful burden of your position and we most humbly ask that you give as much consideration as possible to what we think is a very meritorious and just presentation of our case.

Wishing you every success in your very responsible position, and with the compliments of the season, I am

Yours sincerely,

D. C. BURNS.

PITTSBURGH, Pa., December 18, 1937.

HON. JAMES J. DAVIS,
Senate Office Building, Washington, D. C.

DEAR SENATOR: I represent, as attorney, 10 building and loan associations in this county and also many hundreds of shareholders in other building and loan associations. We are all vitally interested in preventing the passage of Federal housing bills, H. R. 8520 and S. 3055. The future status of these associations is at stake if these bills are passed in their present form.

As you no doubt know, building and loan associations have prospered and performed a fine service to our community in helping the thrifty and ambitious workmen attain homes on a sound amortization plan. The associations have performed this valuable service for over 100 years and never departed from the sound basic principle of security. We feel that the proposed amendment, if passed, will be an unsound plan economically and will force nearly all building and loan associations out of business. This will mean irreparable harm to our community and to the many millions of shareholders scattered over the country. I therefore strongly urge you to vote against the passage of this bill in its present form.

Very truly yours,

ARTHUR F. SCHMILT.

SPRING HILL BUILDING & LOAN ASSOCIATION, No. 2,
Pittsburgh, Pa., December 18, 1937.

HON. JAMES J. DAVIS,
Senator, Senate Office Building, Washington, D. C.

DEAR SIR: I, secretary of the Spring Hill Premium Building & Loan Association No. 2, North Side, Pittsburgh, have heard your opposition to the passage of Senate bill 3055. The executive committee of Allegheny County League of Building and Loan Associations, comprising over 300 associations in the county, have also voiced their opposition to this measure. It is dangerous to our building and loan associations. We resolved in all likely not being able to function urging your opposition to the passage of this

bill (S. 3055). We have been very conservative in all the years of our existence. We like to loan on the basis of 50 percent of the valuation of the property, and not exceed 65 percent wherever the moral risk is favorable. We certainly would not be able to compete with the institution requiring the borrower to pay only 10 percent down and the balance at 5 percent in 20 years. Our shareholders would not tolerate such an unwise policy.

Please use your best endeavor to oppose passage of Senate bill 3055.

Very truly yours,

THE SPRING HILL PREMIUM BUILDING AND
LOAN ASSOCIATION, No. 2,
WILLIAM FISCHER, Secretary.

MONACA FEDERAL SAVINGS & LOAN ASSOCIATION,
Monaca, Pa., December 17, 1937.

HON. J. J. DAVIS,
Washington, D. C.

DEAR MR. DAVIS: The board of directors of the Monaca Federal Savings & Loan Association, by resolution duly passed Wednesday, December 15, 1937, at their weekly meeting, respectfully request you to give all your support and good influence to the amendments proposed by the United States Building and Loan League to S. 3055, now before the House Banking and Currency Committee.

A copy of these proposed amendments have been furnished you by the United States Building and Loan League, and a careful consideration of them will certainly convince you that they are very necessary for the protection, life, and existence of a building and loan. If the bill, as originally drawn, is permitted to pass without these proposed amendments, especially Nos. I, III, VI, X, XIV, and XV, building and loans will be again forced to the wall and driven clear out of the field.

Trusting you will give this your personal consideration and use your good offices for the protection and life of the associations, I am,

Very truly yours,

JOSEPH HERMANN,
Executive Vice President.

MONACA FEDERAL SAVINGS AND LOAN ASSOCIATION,
Monaca, Pa., December 17, 1937.

HON. J. J. DAVIS,
Washington, D. C.

DEAR MR. DAVIS: The board of directors of the Monaca Federal Savings and Loan Association, by resolution duly passed Wednesday, December 15, 1937, at their weekly meeting, respectfully request you to give all your support and good influence to the amendments proposed by the United States Building and Loan League to S. 3055, now before the House Banking and Currency Committee.

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Trusting you will give this your personal consideration and use your good offices for the protection and life of the associations, I am,

Very truly yours,

LAMARTINE L. LE GOULLON,
Director of the Monaca Federal Savings
and Loan Association, Monaca, Pa.

MONACA FEDERAL SAVINGS AND LOAN ASSOCIATION,
Monaca, Pa., December 17, 1937.

HON. J. J. DAVIS,
Washington, D. C.

DEAR MR. DAVIS: The board of directors of the Monaca Federal Savings and Loan Association, by resolution duly passed Wednesday, December 15, 1937, at their weekly meeting, respectfully request you to give all your support and good influence to the amendments proposed by the United States Building and Loan League to S. 3055, now before the House Banking and Currency Committee.

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Trusting you will give this your personal consideration and use your good offices for the protection and life of the associations, I am

Very truly yours,

DANIEL J. VOGT,
Secretary, Monaca Federal Savings
and Loan Association, Monaca, Pa.

MONACA FEDERAL SAVINGS AND LOAN ASSOCIATION,
Monaca, Pa., December 17, 1937.

HON. J. J. DAVIS,
Washington, D. C.

DEAR MR. DAVIS: The board of directors of the Monaca Federal Savings and Loan Association, by resolution duly passed Wednesday,

day, December 15, 1937, at their weekly meeting, respectfully request you to give all your support and good influence to the amendments proposed by the United States Building and Loan League to S. 3055, now before the House Banking and Currency Committee.

A copy of these proposed amendments have been furnished you by the United States Building and Loan League, and a careful consideration of them will certainly convince you that they are very necessary for the protection, life, and existence of a building and loan. If the bill as originally drawn is permitted to pass without these proposed amendments, especially Nos. I, III, VI, X, XIV, and XV, building and loans will be again forced to the wall and driven clear out of the field.

Trusting you will give this your personal consideration and use your good offices for the protection and life of the associations, I am,

Very truly yours,

W. R. LEIGH,
Director of the Monaca Federal Savings and
Loan Association, Monaca, Pa.

MONACA FEDERAL SAVINGS AND LOAN ASSOCIATION,
Monaca, Pa., December 17, 1937.

Hon. J. J. DAVIS,
Washington, D. C.

DEAR MR. DAVIS: The board of directors of the Monaca Federal Savings and Loan Association, by resolution duly passed Wednesday, December 15, 1937, at their weekly meeting, respectfully request you to give all your support and good influence to the amendments proposed by the United States Building and Loan League to S. 3055, now before the House Banking and Currency Committee.

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Trusting you will give this your personal consideration and use your good offices for the protection and life of the associations, I am,

Very truly yours,

LOUIS J. IRVIN,
Director of the Monaca Federal Savings and
Loan Association, Monaca, Pa.

MONACA FEDERAL SAVINGS AND LOAN ASSOCIATION,
Monaca, Pa., December 17, 1937.

Hon. J. J. DAVIS,
Washington, D. C.

DEAR MR. DAVIS: The board of directors of the Monaca Federal Savings and Loan Association, by resolution duly passed Wednesday, December 15, 1937, at their weekly meeting, respectfully request you to give all your support and good influence to the amendments proposed by the United States Building and Loan League to S. 3055, now before the House Banking and Currency Committee.

A copy of these proposed amendments have been furnished you by the United States Building and Loan League and a careful consideration of them will certainly convince you that they are very necessary for the protection, life, and existence of a building and loan. If the bill, as originally drawn, is permitted to pass without these proposed amendments, especially Nos. I, III, VI, X, XIV, and XV, building and loans will be again forced to the wall and driven clear out of the field.

Trusting you will give this your personal consideration and use your good offices for the protection and life of the associations, I am,

Very truly yours,

ALEXANDER BUCSKO,
Vice President, Monaca Federal Savings
and Loan Association, Monaca, Pa.

MONACA FEDERAL SAVINGS AND LOAN ASSOCIATION,
Monaca, Pa., December 17, 1937.

Hon. J. J. DAVIS,
Washington, D. C.

DEAR MR. DAVIS: The board of directors of the Monaca Federal Savings and Loan Association, by resolution duly passed Wednesday, December 15, 1937, at their weekly meeting, respectfully request you to give all your support and good influence to the amendments proposed by the United States Building and Loan League to S. 3055, now before the House Banking and Currency Committee.

A copy of these proposed amendments have been furnished you by the United States Building and Loan League and a careful consideration of them will certainly convince you that they are very necessary for the protection, life, and existence of a building and loan. If the bill, as originally drawn, is permitted to pass without these proposed amendments, especially Nos. I, III, VI, X,

XIV, and XV, building and loans will be again forced to the wall and driven clear out of the field.

Trusting you will give this your personal consideration and use your good offices for the protection and life of the associations, I am,

Very truly yours,

CHARLES L. GRABERT,
Director of the Monaca Federal Savings
and Loan Association, Monaca, Pa.

MONACA FEDERAL SAVINGS AND LOAN ASSOCIATION,
Monaca, Pa., December 17, 1937.

Hon. J. J. DAVIS,
Washington, D. C.

DEAR MR. DAVIS: The board of directors of the Monaca Federal Savings and Loan Association, by resolution duly passed Wednesday, December 15, 1937, at their weekly meeting, respectfully request you to give all your support and good influence to the amendments proposed by the United States Building and Loan League to S. 3055, now before the House Banking and Currency Committee.

A copy of these proposed amendments have been furnished you by the United States Building and Loan League, and a careful consideration of them will certainly convince you that they are very necessary for the protection, life, and existence of a building and loan. If the bill, as originally drawn, is permitted to pass without these proposed amendments, especially Nos. I, III, VI, X, XIV, and XV, building and loans will be again forced to the wall and driven clear out of the field.

Trusting you will give this your personal consideration and use your good offices for the protection and life of the association, I am,

Very truly yours,

PAUL MATTAUCH,
President, Monaca Federal Savings and Loan Association.

MONACA, PA., December 17, 1937.

Hon. J. J. DAVIS:
Your personal support to United States Building and Loan League amendment to Senate bill 3055 will be appreciated.

MONACA FEDERAL SAVINGS AND LOAN ASSOCIATION.

PITTSBURGH, PA., December 21, 1937.

JAMES J. DAVIS,
United States Senator, Washington, D. C.:

The Working Men's Building & Loan, with 2,000 shareholders residing in your district, opposed Senate bill 3055, and join in protest Pennsylvania League of Building and Loan Associations. Your influence to defeat this bill and continue thrift in our district is paramount.

O. C. GREENAWALT, President.

PITTSBURGH, PA., December 21, 1937.

Senator JAMES DAVIS,
Capitol Building, Washington, D. C.:

The Home Mutual Building & Loan, with 700 shareholders living in your district, opposes Senate bill 3055 and joins in protest with the Pennsylvania League of Building and Loans. Your strong influence to defeat this bill and continue thrift among your constituents is requested. The future of building and loans is at stake.

HOME MUTUAL BUILDING & LOAN ASSOCIATION.

PITTSBURGH, PA., December 20, 1937.

Hon. JAMES J. DAVIS,
United States Senate:

Valley Building & Loan, of Pittsburgh, having 300 shareholders, opposes Senate bill 3055 and joins in Pennsylvania Building and Loan League protest.

N. A. SPIELMEYER,
Secretary, Valley Building and Loan Association
of Pittsburgh, East Street and Evergreen Road.

PHILADELPHIA, PA., December 20, 1937.

Hon. JAMES J. DAVIS,
United States Senate:

Careful analysis of current housing legislation indicates that if same is to be practical the amendments recommended to your committee by Morton Bodfish, executive vice president of United States Building and Loan League, should be incorporated. Kindly support bill providing these amendments are added.

TIoga No. 2 BUILDING ASSOCIATION,
JOHN E. ALLEN, Secretary.

PITTSBURGH, PA., December 18, 1937.

Hon. JAMES J. DAVIS,
Senate Office Building, Washington, D. C.:

Building and loan associations are opposed to the passage of Federal housing bills H. R. 8520 and S. 3055. Urge your support against same. Bills will put building and loan associations out of business with their many millions of shareholders and billions of assets.

ROBERT T. HOULDEN.

PITTSBURGH, PA., December 18, 1937.

HON. JAMES J. DAVIS,

Senate Office Building, Washington, D. C.:

Building and loan associations are opposed to the passage of Federal housing bills H. R. 8520 and S. 3055. I earnestly ask your support against same.

ADAM ROSCOE,
Secretary, Schenley Savings Fund and
Loan Association, Pittsburgh, Pa.

Mr. DAVIS. Mr. President, I also ask unanimous consent to have printed in the RECORD an excellent article by an eminent housing expert of Pittsburgh, Pa., Mr. Charles F. Lewis, of the Henry Buhl Foundation. This article is entitled "Neighborhood Development and Protection", and was published in the Real Estate Record, July 18, 1936. I commend it to the attention of all who join with me in desiring the elimination of slums and blighted housing areas.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the Real Estate Record of July 18, 1936]

NEIGHBORHOOD DEVELOPMENT AND PROTECTION

(By Charles F. Lewis)

The modern city is an association of neighborhoods which contain recognizable elements of individuality. These neighborhoods find themselves by force of propinquity and economic circumstance compelled to act jointly on a multitude of problems.

The expansion of transportation facilities and the progressive decay of urban residential neighborhoods together have been draining our cities of population and tax-paying capacity. It is no longer important to argue over cause and effect. It matters not whether blight has come to urban neighborhoods because of departure of families attracted by motor roads and automobiles to the suburbs and beyond, or whether the insistent spread of blight has forced these families against their will out of districts convenient to the cultural and business centers of the city.

The fact is that blight has spread with alarming speed from neighborhood to neighborhood until today every city contains large areas virtually abandoned by families capable of sustaining themselves and bearing their share of the cost of local government. A continuance of present trends threatens further heavy curtailment of tax revenues and eventual municipal bankruptcy.

The improvement of depreciated neighborhoods and the development and protection of good neighborhoods are, therefore, one of the most important problems to which any city can address itself. It will be recognized, of course, that the details of the problem of neighborhood development and protection may differ in the newly built neighborhood and in the old, established, or partially blighted neighborhood. Fundamentally, however, the methods of approach and the philosophies underlying those methods are the same in either case.

The first and best-known approach to neighborhood development and protection is legal zoning. Zoning is comparatively new. In a realistic sense it has not really been tried. We have merely pretended to zone. Our zoning laws in general are inadequate. They represent in most cases merely a poor compromise of conflicting interests. The most that they seek to accomplish is to stop or retard the rate of neighborhood blight, and they do this ineffectively and apologetically. The utmost that can be hoped from zoning, as we now know it, is to afford a little, but not enough, protection to existing conditions in old districts. We cannot now hope for the improvement of conditions exclusively through the zoning method.

An alternate approach to the problem of protecting neighborhoods is cooperation of property owners. The most familiar is in deed restrictions in new subdivisions. This method has had some instances of notable success. However, it is restricted in its application and in its life. Ordinarily it has been applied only in neighborhoods designed for limited economic groups. Again, while it protects, it is incapable of effecting the improvement of established districts.

Recognition of these limitations has led recently to sponsorship of suggestions for State legislation to give local neighborhoods the power to organize for purposes of property protection and improvement of environment. These local neighborhoods would be given the power, if they so desire, to plan and control their own further development by agreement of property owners.

Zoning and voluntary community cooperation have thus far failed to halt or greatly retard the depreciation of urban neighborhoods. If we analyze any blighted area we may discover more than one cause of its decline. The fundamental cause, however, lies in the multiplicity of land holdings, the lack of any centralized strong control. The reason for this situation is that capital has neglected the housing field.

Now that America has reached maturity and is concerned with problems of intensive rather than extensive growth, it would seem that capital is frankly challenged to recognize the investment possibilities of housing in neighborhood building. Even casual investigation should convince of two things. First, one way to achieve protection for urban residential neighborhoods is to build protection into them, that is, to build neighborhoods as large-scale planned communities from the ground up in one operation, designed to be owned and managed over a term of years on an

income-producing, rental basis. Second, that neighborhoods so built, properly maintained and intelligently managed, offer an attractive medium for the secure investment of funds with a safeguarded, adequate return.

Such neighborhood developments must, of course, be large enough to provide socially integrated communities and, in general, the larger they are within the limits of the market, the more secure they are from an investment standpoint. Chief security to the owner in the large-scale neighborhood lies in the fact that living conditions are much more attractive than those to be found elsewhere in neighborhoods built hit or miss and helter-skelter, so that there can be assurance of a long waiting list from the day the first brick is laid. This certainty has been already sufficiently demonstrated to indicate the strong probability that houses and apartments in such neighborhoods, if well managed, could be made to command premium rentals.

Translated into terms of ownership interest, all this means that a development of this type, which is to be held in a single ownership over a period of years, and motivated by sound investment purposes, will be protected from many of the perils of invasion that beset the ordinary district of single-family homes owned by many separate owners. Physical maintenance of all the properties, under large-scale operations, can be permanently guaranteed. The quality of the community socially can be guaranteed. This district can be protected from invasions of undesirable use regardless of the adequacy or inadequacy of city zoning systems. In short, the districts, if large enough and if wisely administered, can be maintained against neighborhood depreciation.

We have now no effective machinery for eliminating bad housing. State and local laws are inadequate. Local governments may properly undertake to clear slum areas. Certainly they should provide adequate legislation and adequate enforcement to compel the razing of insanitary and unsafe dwellings or even of whole areas in which housing is dominantly insanitary and unsafe. Such a program at this time would do much to stimulate the building, by private industry, of new communities to replace blighted areas.

The VICE PRESIDENT. The question is, Shall the bill pass?

Mr. BARKLEY. I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. MALONEY. Mr. President, I have an amendment which I wish to offer.

The VICE PRESIDENT. The Chair calls the attention of the Senator from Connecticut to the fact that the parliamentary situation now is such that no amendment is in order except by unanimous consent.

Mr. MALONEY. I ask unanimous consent, Mr. President, for permission to offer an amendment.

The VICE PRESIDENT. Is there objection to the request of the Senator from Connecticut? The Chair hears none, and the clerk will state the amendment.

The CHIEF CLERK. In the amendment of Mr. PEPPER, agreed to at the end of the bill on page 86, line 21, after the figures "\$100,000,000", it is proposed to insert the following:

The Administrator is authorized to fix a premium charge to be paid by the financial institutions for the insurance of loans under this section, which in no case shall be in excess of 1 percent nor less than one-half percent per annum on the original amount of the loan.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Connecticut to the committee amendment as amended.

Mr. MALONEY. Mr. President, I wish briefly to explain that the amendment proposes an addition to title I. I doubt that the interest fixed in the amendment is sufficient, but in the absence of an opportunity to arrive at any other figure I should like to make certain that we do not completely subsidize the bankers under this title. It seems to me that the interest rate is particularly low, and, while it might not be used, I think it is necessary that there be in the bill some sort of safeguard.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. MALONEY. I yield.

Mr. BARKLEY. This is not a charge made under title I as it was in existence for the loans referred to, but the Senator is seeking to impose an additional charge on the borrowers.

Mr. MALONEY. Not an additional charge. I may say to the Senator there has been no charge under title I. This is a new charge.

Mr. BARKLEY. It is a new charge?

Mr. MALONEY. Yes.

Mr. BARKLEY. It is a charge for an item that was not chargeable under title I as originally enacted?

Mr. MALONEY. That is true. I should like to say to the Senator that my understanding is that the losses were in excess of 4 percent under this title.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Connecticut to the amendment.

The amendment to the amendment was rejected.

The VICE PRESIDENT. The question now is on the passage of the bill. On that question the yeas and nays have been ordered. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. HALE (when his name was called). I have a general pair with the senior Senator from South Carolina [Mr. BYRNES]. I understand that if present he would vote as I intend to vote. I am therefore at liberty to vote, and vote "yea."

Mr. KING (when his name was called). I announce a pair with the senior Senator from South Carolina [Mr. SMITH], and withhold my vote.

Mr. McNARY (when his name was called). On this vote I have a pair with the senior Senator from Mississippi [Mr. HARRISON]. I am advised that if present he would vote as I am about to vote. I therefore feel free to vote, and vote "yea."

Mr. SHIPSTEAD (when his name was called). I have a pair with the senior Senator from Virginia [Mr. GLASS]. I am informed that if present he would vote "nay." If I were permitted to vote, I should vote "yea."

Mr. VANDENBERG (when his name was called). Announcing my pair as on the previous vote, I withhold my vote. The roll call was completed.

Mr. BARKLEY. I announce that the Senator from Pennsylvania [Mr. GUFFEY] is detained in an important conference at the White House at this hour and is unable to be here. If present, he would vote "yea."

Mr. ADAMS. The junior Senator from South Carolina [Mr. BYRNES] is unavoidably kept away from the session. If present, he would vote "yea."

Mr. RADCLIFFE. The senior Senator from Maryland [Mr. TYDINGS] is unavoidably detained from the Senate. I am authorized by him to state that were he present his vote would be in the affirmative.

Mr. MINTON. I announce that the Senator from Tennessee [Mr. BERRY] and the Senator from Delaware [Mr. HUGHES] are absent from the Senate because of illness. If present, I am advised that the Senator from Tennessee and the Senator from Delaware would vote "yea."

The junior Senator from Mississippi [Mr. BILBO], the Senator from Michigan [Mr. BROWN], the senior Senator from Missouri [Mr. CLARK], the Senator from Iowa [Mr. GILLETTE], the senior Senator from Mississippi [Mr. HARRISON], the junior Senator from Oklahoma [Mr. LEE], the Senator from Nevada [Mr. McCARRAN], the Senator from New Jersey [Mr. MOORE], the Senator from South Carolina [Mr. SMITH], the senior Senator from Oklahoma [Mr. THOMAS], and the junior Senator from Missouri [Mr. TRUMAN] are unavoidably detained. I am advised that if present and voting these Senators would vote "yea."

Mr. BYRD. My colleague [Mr. GLASS] is unavoidably detained from the Senate. If present and voting, he would vote "nay."

Mr. ELLENDER. My colleague [Mr. OVERTON] is unavoidably detained, but if present and voting he would vote "yea."

Mr. MINTON. The senior Senator from Illinois [Mr. LEWIS] is unavoidably detained from the Senate. I am authorized to say that if present he would vote "yea." The senior Senator from New Mexico [Mr. HATCH] and the junior Senator from New Mexico [Mr. CHAVEZ] are both unavoidably detained from the Senate. I am authorized to say that if present they would each vote "yea."

Mr. SCHWELLENBACH. My colleague the senior Senator from Washington [Mr. BONE] is unavoidably detained from the Senate. I am advised that if present he would vote "yea."

Mr. KING. I am advised that if the senior Senator from South Carolina [Mr. SMITH], with whom I have a pair, were present he would vote "yea." As I intend to vote the same way, I am at liberty to vote, and vote "yea."

The result was announced—yeas 66, nays 4, as follows:

YEAS—66

| | | | |
|--------------|----------------|-------------|---------------|
| Adams | Davis | La Follette | Pittman |
| Andrews | Dieterich | Logan | Pope |
| Ashurst | Donahay | Loneragan | Radcliffe |
| Austin | Duffy | Lundeen | Reynolds |
| Bailey | Ellender | McAdoo | Russell |
| Bankhead | George | McGill | Schwartz |
| Barkley | Gerry | McKellar | Schwellenbach |
| Bridges | Gibson | McNary | Sheppard |
| Brown, N. H. | Graves | Maloney | Smathers |
| Bulkley | Green | Miller | Steiwer |
| Bulow | Hale | Minton | Thomas, Utah |
| Burke | Hayden | Murray | Van Nuys |
| Byrd | Herring | Neely | Wagner |
| Capper | Hitchcock | Norris | Walsh |
| Caraway | Holt | Nye | Wheeler |
| Connally | Johnson, Colo. | O'Mahoney | |
| Copeland | King | Pepper | |

NAYS—4

| | | | |
|-------|---------|-------|----------|
| Borah | Frazier | Lodge | Townsend |
|-------|---------|-------|----------|

NOT VOTING—26

| | | | |
|--------------|-----------------|-----------|---------------|
| Berry | Gillette | Lee | Thomas, Okla. |
| Bilbo | Glass | Lewis | Truman |
| Bone | Guffey | McCarran | Tydings |
| Brown, Mich. | Harrison | Moore | Vandenberg |
| Byrnes | Hatch | Overtton | White |
| Chavez | Hughes | Shipstead | |
| Clark | Johnson, Calif. | Smith | |

So the bill H. R. 8730, amending the National Housing Act, was passed.

Mr. WAGNER. Mr. President, I move that the Senate insist upon its amendment, ask for a conference thereon with the House, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the President pro tempore appointed Mr. WAGNER, Mr. BARKLEY, Mr. BULKLEY, Mr. HITCHCOCK, Mr. TOWNSEND, and Mr. STEIWER conferees on the part of the Senate.

Mr. BARKLEY. Mr. President, I ask unanimous consent that conferees, not only on the housing measure but on the agricultural relief bill may be permitted to sit during any recess or adjournment of Congress.

The PRESIDENT pro tempore. Without objection, it is so ordered.

MESSAGE FROM THE HOUSE—ENROLLED BILL SIGNED

A message from the House of Representatives, by Mr. Calloway, one of its reading clerks, announced that the Speaker had affixed his signature to the enrolled bill (S. 3114) to extend the times for commencing and completing the construction of a bridge across the Tennessee River between Colbert County and Lauderdale County, Ala., and it was signed by the Vice President.

NOTIFICATION TO THE PRESIDENT

Mr. BARKLEY. Mr. President, I have conferred with those in charge of the House of Representatives and have ascertained that, not knowing the Senate would pass the housing bill so promptly, they entered into an agreement under which no additional legislation should be enacted at this session. With that understanding most of the Members of the other body have gone home for the holidays, leaving less than a quorum present.

In that situation it is impossible to secure the adoption of a conference report on the housing bill even if the conferees could meet at once and agree to a report on the measure. Under these circumstances there is no point in holding the Senate or the House in session any longer than today.

As soon as the House of Representatives sends a message to the Senate announcing its agreement to the conference on the housing bill and appointing conferees, it is the purpose that the two Houses shall adjourn sine die today. Therefore I submit a resolution for which I ask present consideration.

There being no objection, the resolution (S. Res. 211) was read, considered, and agreed to, as follows:

Resolved, That a committee of two Senators be appointed by the President of the Senate to join a similar committee appointed by

the House of Representatives to wait upon the President of the United States and inform him that the two Houses, having completed the business of the present session, are ready to adjourn unless the President has some further communication to make to them.

The PRESIDENT pro tempore. Under the terms of the resolution just agreed to, the Chair appoints the Senator from Kentucky [Mr. BARKLEY] and the Senator from Oregon [Mr. McNARY] as the committee on the part of the Senate.

WOOL AND THE PROPOSED TRADE AGREEMENT WITH THE UNITED KINGDOM

Mr. O'MAHONEY. Mr. President, wool is one of the agricultural commodities produced in the United States of which there is not a sufficient amount to meet the consumption requirements of the population of the United States. There has been considerable agitation among those interested in the wool industry of late because of the announcement by the State Department of a purpose to enter into a reciprocal-trade agreement with the United Kingdom. The fear has been expressed in many quarters that such an agreement might result in a reduction of the tariff upon wool. Producers of wool, traders in wool, and manufacturers of wool alike have been unable to dispel the thought that a trade agreement with the British Empire would inevitably result in a reduction of the present tariff rates. This fear is natural when one considers that within the confines of the British Empire there are to be found areas which produce and export wool to this country. I feel, however, that the record of this administration with respect to wool is such that such fears should be allayed.

I asked unanimous consent, therefore, to have inserted in the RECORD some correspondence which I have had with the Department of State respecting this subject. The correspondence goes back to the year 1934 when the Reciprocal Trade Agreement Act was first under consideration.

I ask to have incorporated in the RECORD the following letters in the following order:

A LETTER FROM THE PRESIDENT

First, a letter from the President of the United States to me dated June 5, 1934, in which the President announced that it is the purpose of the administration to encourage agriculture and industry alike, that agricultural prices should be raised and that the "wool industry needs price protection." This is a letter, moreover, in which the President asserted his belief that the wool industry needs price protection.

Second, a letter which I wrote to the Secretary of State dated December 10, 1937, transmitting a copy of the President's letter.

Third, a reply which I received from the Secretary of State dated December 17, 1937, in which Secretary Hull announced that he was calling to the attention of the Committee for Reciprocity Information the letter from the President and that in turn that committee would call the letter to the attention of all agencies of the Government represented in the trade-agreement organization.

Finally, the remarks and correspondence which appear in the CONGRESSIONAL RECORD of June 6, 1934, on pages 10597 and 10598, dealing with the President's attitude as to wool.

Mr. STEIWER. Mr. President, may I ask the Senator a question? I am entirely in sympathy with the efforts the Senator is making in this behalf, but I ask him whether he construes the President's letter as a commitment that there shall be no reduction of the tariff on wool?

CONFIDENT WOOL IN NO DANGER

Mr. O'MAHONEY. I may state quite frankly to the Senator from Oregon that the letter of the President does not in terms state that there shall be no such reduction but in present circumstances, which everyone recognizes, when the price of wool is lower than it has been for a long time, and, so far as the practical situation is concerned, when there is no market whatever for wool, it is quite impossible for me to imagine that the State Department would enter into a reciprocal-trade agreement by which the tariff upon wool

would be lowered in any degree whatsoever, because, obviously, a lowering of the tariff upon wool could not be interpreted as promoting the interests of the wool industry or as maintaining the price of wool. It is only natural that fears should be expressed upon this point, but in view of the fact that it is the undoubted purpose of the administration to increase agricultural income, it is difficult for me to understand why anybody should apprehend any action adverse to the wool interests or to any other agricultural interest. I understand it to be the purpose of Secretary Hull to promote the interests of agriculture and industry alike. I therefore feel that when a particular agricultural industry is depressed, the country need have no fear that the powers of the Executive arm will be used further to depress that industry.

Nothing has heretofore been done under the Reciprocal Trade Agreement Act to depress the wool industry, and, for my part, I have no hesitation in taking a perfectly practical view of the President's letter of June 5, 1934.

Mr. STEIWER. I can only say that I hope events will prove the Senator's optimism to be well justified.

The PRESIDENT pro tempore. Without objection, the matters referred to by the Senator from Wyoming will be printed in the RECORD as requested.

The correspondence and remarks are as follows:

THE WHITE HOUSE,
Washington, June 5, 1934.

HON. JOSEPH C. O'MAHONEY,

United States Senator, Washington, D. C.

MY DEAR SENATOR O'MAHONEY: My concern that agricultural prices should be protected and, where possible, substantially raised, ought to be well known by this time. This is why I was surprised that a question should be raised about wool. The new tariff bill has been thought of as one of the emergency measures which would help in the general effort to rehabilitate agriculture and industry together. The wool industry is one of those which needs price protection; and the suggestion that the new tariff bill might be used to lower those prices is one which would not have occurred to me. That is the thought I expressed to you, Senator Costigan, and others on May 9.

I have read the statement which you issued, and as I might expect, it correctly reports the facts. I hope you will have no further concern for fear that something damaging to the industry may result from this legislation.

Very sincerely yours,

FRANKLIN D. ROOSEVELT.

DECEMBER 10, 1937.

HON. CORDELL HULL,

Secretary of State, Washington, D. C.

DEAR MR. SECRETARY: The statement was made this morning by a witness who appeared before the special committee of the Senate to investigate production, transportation, and marketing of wool that, during a recent tour of the country, he found a general fear among the manufacturers of woolen goods and among the producers of wool that it is the purpose of the Department of State, in negotiating the proposed reciprocal-trade agreement with Great Britain, to agree to a reduction of the tariff upon wool. To this fear the witness ascribed in part, at least, the recent collapse of the wool market.

The incident prompts me to call your attention to the letter which was written to me by President Roosevelt on June 5, 1934, a photostatic copy of which I enclose herewith.

In view of the fact that the domestic wool industry of the United States is in greater need of "price protection" now than it was when the letter of June 5, 1934, was written, I have given assurance to all who have directed inquiries to me that no action adverse to the wool industry is any more likely now than it was when the Reciprocal Trade Agreement Act was originally enacted.

The report of the Bureau of Agricultural Economics of the Department of Agriculture made public on November 10 of this year indicates that a smaller domestic consumption of wool may be expected in 1938 than in 1937, that consumption for 1937 "will not differ greatly from that of" 1936 and that 1936 consumption was 8.5 percent smaller than in 1935. Inasmuch as the weighted average price of wool to farmers for 1935 was 19.4 percent per pound, the study of the Bureau of Agricultural Economics makes it clear that any reduction of the tariff upon wool at this time could only have the effect of reducing the price to producers below anything which has been in effect since this administration began.

The letter which I received from the President in 1934 had a very encouraging effect upon the wool trade and I am sure that a statement from the Department of State at this juncture that it is not the intention to depart from the policy outlined in the President's letter would be most beneficial.

Sincerely yours,

JOSEPH C. O'MAHONEY.

DEPARTMENT OF STATE,
Washington, December 17, 1937.

The Honorable JOSEPH C. O'MAHONEY,
United States Senate.

MY DEAR SENATOR O'MAHONEY: I have received your letter of December 10, 1937, enclosing a photostatic copy of a letter addressed to you by the President on June 5, 1934, and stating that a witness before the special Senate Committee on Production, Transportation, and Marketing of Wool stated that domestic manufacturers of woolen goods and producers of wool are apprehensive that the present duty on imports of wool will be reduced in connection with the contemplated trade-agreement negotiations with the United Kingdom.

As you know, a preliminary announcement that the negotiation of a trade agreement with the United Kingdom is contemplated was made on November 17, 1937. In accordance with the usual procedure, suggestions as to the import and export products to be considered in the negotiations with the United Kingdom are now being received by the Committee for Reciprocity Information. The formal notice of intention to negotiate, which it is expected will be issued at a later date, will be accompanied by a list of the products on which the United States will consider granting concessions to the United Kingdom, and will specify the latest date for the submission of statements and briefs to the Committee for Reciprocity Information, the latest date for receiving applications to be heard at the public hearings, and the date on which the customary public hearings will begin. It is not known at this time what products will appear on the list. You will, of course, receive in the regular course of distribution a copy of any further announcement that is made in this connection.

In the meantime, I am having your letter brought to the attention of the Committee for Reciprocity Information which in turn will bring it to the attention of all the agencies of the Government represented in the trade-agreements organization.

As I assured you in my letter to you of June 28, 1935, the trade-agreements program is intended to help in the general effort to rehabilitate agriculture and industry together. As you know, 16 trade agreements have already been concluded, and because of the great care taken in their formulation American interests have found no real cause for complaint. On the contrary, by increasing our foreign trade these agreements have increased employment and consumer purchasing power to the benefit of American producers and workers generally.

Sincerely yours,

CORDELL HULL.

[From the CONGRESSIONAL RECORD of June 6, 1934]

THE PRESIDENT'S ATTITUDE ON WOOL

MR. O'MAHONEY. Mr. President, during the month of April it was reported to me that wool buyers were endeavoring to hammer down the price of wool in the West by circulating the report that the tariff on wool would be certain to be lowered if the tariff bargaining bill then pending should be passed. The terms of the measure were, of course, not generally known. Comparatively few persons outside of the Congress had even read it, and it was not understood generally that the bill provided for increases of tariff rates as well as for decreases. Neither was it generally understood that the measure prohibits the transfer of any commodity from the dutiable list to the free list.

Those who were circulating the reports were not above intimating that the administration planned to remove the tariff altogether.

From previous interviews with the Secretary of State and the Secretary of Agriculture, I knew that representations of a hostile attitude on their part toward wool were altogether unfounded. In order that I might have an authoritative statement defining the attitude of the administration, I asked the Secretary of State to write me on the subject. On April 20 I received from him a formal letter, which I at that time read in the Senate, and which I now send to the desk to be read again by the clerk.

THE PRESIDING OFFICER. Without objection, the letter will be read.

The Chief Clerk read as follows:

FROM THE SECRETARY OF STATE

DEPARTMENT OF STATE,
OFFICE OF THE SECRETARY,
Washington, April 20, 1934.

The Honorable JOSEPH C. O'MAHONEY,
United States Senate.

MY DEAR SENATOR: I have just received your message to the effect that eastern wool buyers in Wyoming are undertaking to beat down the price of wool by the representation that the Federal Government in entering into reciprocity commercial agreements will so affect the wool situation as to necessitate heavy cuts in domestic-wool prices.

This sort of statement is wholly irresponsible and unjustified. In the first place, no discussion whatsoever has been had here about wool, nor has there been any negotiation concerning any other specific commodity apart from the very narrow range of items which entered into our discussions with Cuba. Secondly, the broad and definite policy on which all reciprocity trade agreements will rest is that of mutual and equal profitability to the

countries participating. Thirdly, it must be apparent that after the passage of the tariff bargaining bill an effective organization freely accessible to all interests concerned must be developed. Ample time will be required for the making of necessary studies and for carrying on exploratory conversations with various governments before steps can be taken for the negotiation of definitive agreements.

Sincerely yours,

CORDELL HULL.

AN INTERVIEW WITH THE PRESIDENT

MR. O'MAHONEY. Mr. President, after the publication of the letter which has just been read by the clerk, I had occasion, with other Senators and Members of the House of Representatives, to be present at the White House upon the day when the so-called "sugar bill" was signed. Reports were still in circulation that the administration was hostile to wool; and having freely expressed to my own constituents my confidence in the purpose of the administration to do everything in its power to help agriculture, including wool, I took advantage of the occasion to ask the President for a confirmation of my opinion; and having received from the President what seemed to me to be an altogether satisfactory statement, I issued a formal press release which I now send to the desk and ask to have read.

THE PRESIDING OFFICER. Without objection, the clerk will read, as requested.

The Chief Clerk read as follows:

STATEMENT TO THE PRESS MAY 9, 1934, BY UNITED STATES SENATOR JOSEPH C. O'MAHONEY, WYOMING

"President Roosevelt today gave renewed evidence that he is in complete sympathy with the West. Immediately after signing the sugar bill, which stabilizes the price of sugar for all domestic producers, the President, in the presence of Senator COSTIGAN and Assistant Secretary of Agriculture TUGWELL, authorized me to say that he and his administration are as much concerned in maintaining the price of wool as they are in maintaining the price of wheat, cotton, and other agricultural commodities.

"I told the President that wool buyers recently have been making low offers on wool and that there has been considerable apprehension lest the reciprocity policy would mean sweeping reduction in the tariff on wool and an adverse effect upon the market. I told him that I have been advising the people of my State that an administration, the primary object of which is to improve the condition of agriculture, could be depended upon not to take any hostile action toward the wool industry. The President replied that in this position I was exactly correct. Both he and Secretary Tugwell agreed that this administration should do everything possible to maintain the price of wool, and the President said that he recognized woolgrowing as one of the fundamental agricultural industries and desired to be helpful to it."

A LETTER FROM THE PRESIDENT

MR. O'MAHONEY. Mr. President, statements substantially the same as that which has just been read by the clerk were issued by other Senators, but thereafter in certain quarters there was still some uncertainty professed as to what the policy of the administration might be. Concerned with the effect that the expression of these doubts might have upon the price of wool, which, of course, is a primary interest of the people of Wyoming, but knowing that there was no basis in fact for the propaganda, I took the liberty of presenting the matter once more to the President, and I am today in receipt of a letter from him which I now send to the desk and ask to have read.

THE PRESIDING OFFICER. Without objection, the clerk will read, as requested.

The Chief Clerk read as follows:

THE WHITE HOUSE,
Washington, June 5, 1934.

HON. JOSEPH C. O'MAHONEY,
United States Senator, Washington, D. C.

MY DEAR SENATOR O'MAHONEY: My concern that agricultural prices should be protected and, where possible, substantially raised ought to be well known by this time. This is why I was surprised that a question should be raised about wool. The new tariff bill has been thought of as one of the emergency measures which would help in the general effort to rehabilitate agriculture and industry together. The wool industry is one of those which needs price protection; and the suggestion that the new tariff bill might be used to lower those prices is one which would not have occurred to me. That is the thought I expressed to you, Senator Costigan, and others on May 9.

I have read the statement which you issued, and, as I might expect, it correctly reports the facts. I hope you will have no further concern for fear that something damaging to the industry may result from this legislation.

Very sincerely yours,

FRANKLIN D. ROOSEVELT.

STATISTICAL POSITION OF WOOL

MR. O'MAHONEY. Mr. President, I now ask that there may be incorporated in the Record, immediately following the letter from the President, a telegram from Mr. Fred E. Warren, of Cheyenne, and a copy of my response thereto, and a letter to me by Governor Myers, of the Farm Credit Administration.

The PRESIDING OFFICER. Without objection, it is so ordered.
The telegrams and letter are as follows:

CHEYENNE, WYO., May 22, 1934.

HON. JOSEPH C. O'MAHONEY,
United States Senate, Washington, D. C.:

Report comes from sources apparently reliable that Government Wool Board now seriously considering making severe reduction in asking price Government-controlled wool. I feel this would be a mistake at this time, as tending demoralize price western clip now being sold. Buyers have hammered down price eastern fleece wool, probably because lack of sales resistance, but so far market for territory wool has not declined so much. Believe firm stand now will prevent too serious declines. By Government-controlled wool mean clips consigned or to be consigned against which there are R. F. C. or other Government loans.

FRED E. WARREN.

MAY 25, 1934.

Mr. FRED E. WARREN,
Cheyenne, Wyo.:

Confirming message of Wednesday, am glad to advise Gov. W. I. Myers is today issuing formal statement that there will be no change in the established policy of the Farm Credit Administration with reference to the marketing of wool. On receipt of wires Tuesday advising that rumors were being circulated that alteration of policy was in contemplation, with Senator PITTMAN, of Nevada, I took up matter with Department of Agriculture, R. F. C., and F. C. A. Nowhere did I find any basis for the report reaching you. Governor Myers states: "There is nothing in statistical position of domestic wool to indicate lower values, and the foreign wool situation is beneficial rather than detrimental to the American wool market at this time."

It is unfortunate that certain selfish interests are now busily engaged in spreading fear among wool growers for the twofold purpose of reducing wool prices and undermining confidence in administration policy. I am sure that western wool growers will not forget that the program initiated by the Farm Credit Administration last year and operated by the Wool and Mohair Advisory Committee consisting of H. B. Embach, of Phoenix, Ariz., head of the National Wool Marketing Corporation; R. L. Turnbull, of Boston; Fred Marshal, Salt Lake City, secretary of the National Wool Growers' Association; and George M. Brennan, Federal Intermediate Credit Bank Commissioner, was one of the principal factors in bringing about an increase in the price of wool from approximately 11 cents to 33 cents. The monetary policy of the present administration which has raised the price of English money in terms of American dollars is another factor which has played, and is playing, an important part in maintaining the price of American wool. Furthermore, curtailment of cotton production under the Bankhead bill will have an unquestioned tendency to help the wool market. Bearing these facts in mind, I think wool growers may feel confident that the outlook for the trade is favorable. Chairman Embach, of the Advisory Committee, has issued a formal statement saying: "There is nothing in the present quietness of the market that would justify any change in present quoted wool values."

JOSEPH C. O'MAHONEY,
United States Senator.

MAY 25, 1934.

HON. JOSEPH C. O'MAHONEY,
HON. KEY PITTMAN,
United States Senate.

DEAR SENATORS: Following our conversation in my office last Wednesday, I asked the Wool and Mohair Advisory Committee of the Farm Credit Administration to make a survey of the wool situation.

On the basis of the information available, it reports that wool is in a much stronger statistical position now than a year ago, or at any time during the past several years. American stocks of raw wools were substantially lower on January 1, 1934, than on January 1, 1933, and stocks of wool in secondary markets of the world are not considered burdensome. Furthermore, in view of the present price differential, the foreign wool situation is beneficial rather than detrimental to the American wool market at this time.

Domestic consumption of wools continues to exceed domestic production. While a weak undertone in present wool values is reported, I am advised that this is due largely to a lack of demand, occasioned by the fact that there still is a sizable accumulation of wool in various stages of manufacture which has not yet reached its final destination, and to seasonal conditions.

There is nothing in the statistical position of domestic wool, either the remainder of the 1933 clip or the prospective clip for 1934, to indicate lower values. I am advised by the Wool and Mohair Advisory Committee that these views are shared by those in the trade whose judgment is recognized as reliable.

The unsold wools of the 1933 clip, held under the so-called wool-marketing plan of the Farm Credit Administration, represent a relatively small proportion of the total tonnage of wools consigned under the plan. There has been no change in the established policy of the Farm Credit Administration with reference to the marketing of wool in which its agencies have a financial interest, regarding which I made the following statement at the time the 1934 marketing plan was announced:

"Wools handled under the Administration's marketing plan will continue to be marketed in an orderly manner in response to consumptive demand. The price of wool during the 1934 season will be determined by fundamental factors of supply and demand. Following the institution of the plan for the handling of the 1933 clip, prices of grease wool in the country advanced sharply and wool continued to rise throughout the greater part of the season. With wool at present values, a rise of no such proportions this year is anticipated. Nevertheless, the plan should assure the industry a much firmer price foundation than might otherwise exist without it. It is not an effort to control prices but one to try to prevent unnecessary fluctuations."

Very truly yours,

W. I. MYERS, Governor.

Mr. PITTMAN. Mr. President, in connection with the matter introduced into the RECORD by the Senator from Wyoming [Mr. O'MAHONEY], I may say that the President made a similar remark to me, and I am very pleased that his letter has been received.

Mr. COSTIGAN. Mr. President, if the Senator will permit me a word, as a participant in two of the conversations at the White House referred to by the able Senator from Wyoming, I am happy to testify to the accuracy of his statements.

EXECUTIVE SESSION

Mr. BARKLEY. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

EXECUTIVE MESSAGES REFERRED

The PRESIDENT pro tempore laid before the Senate messages from the President of the United States submitting several nominations, which were referred to the appropriate committees.

(For nominations this day received, see the end of Senate proceedings.)

REPORT AND CONSIDERATION OF ARMY NOMINATIONS

Mr. SHEPPARD. Mr. President, from the Committee on Military Affairs, I report back favorably three nominations in the Army. In view of the fact that Congress is adjourning today, and these Army nominations are important, I ask unanimous consent that they be considered at this time and confirmed, and that the President be notified.

The PRESIDENT pro tempore. Is there objection to the present consideration of the nominations? The Chair hears none, and the nominations will be read.

The legislative clerk read the nomination of Col. John Jennings Kingman, Corps of Engineers, to be Assistant to the Chief of Engineers.

The PRESIDENT pro tempore. Without objection, the nomination is confirmed.

The legislative clerk read the nomination of First Lt. William John Ledward, Coast Artillery Corps, to be transferred to the Field Artillery.

The PRESIDENT pro tempore. Without objection, the nomination is confirmed.

The legislative clerk read the nomination of Capt. John Joseph Murphy, Infantry, to be major, Infantry, in the Regular Army.

The PRESIDENT pro tempore. Without objection, the nomination is confirmed.

Mr. SHEPPARD. I ask unanimous consent that the President be notified of the confirmation of these nominations.

The PRESIDENT pro tempore. Without objection, the President will be notified.

CLAUDE M. EVANS

Mr. McKELLAR. From the Committee on Appropriations, I report favorably the nomination of Claude M. Evans, of Texas, to be regional director of the Farm Security Administration, and ask unanimous consent for its immediate consideration.

The PRESIDENT pro tempore. Is there objection to the request of the Senator from Tennessee. The Chair hears none. The nomination will be read.

The legislative clerk read the nomination of Claude M. Evans, of Texas, to be regional director of the Farm Security Administration.

The PRESIDENT pro tempore. Without objection, the nomination is confirmed.

Mr. McKELLAR. I ask unanimous consent that the President be notified.

The PRESIDENT pro tempore. Without objection, it is so ordered.

POSTMASTERS

Mr. McKELLAR. I also report favorably from the Committee on Post Offices and Post Roads a number of postal nominations, and ask that they be confirmed en bloc, as this is the last day of the session.

The PRESIDENT pro tempore. Is there objection to the request of the Senator from Tennessee?

Mr. McNARY. Just a moment, Mr. President.

Mr. McKELLAR. The nominations have been approved by the various Senators from the States concerned.

Mr. McNARY. And by the committee?

Mr. McKELLAR. And by the committee.

Mr. McNARY. Unanimously?

Mr. McKELLAR. Unanimously under our rules, because the whole committee does not act on the nominations. A subcommittee acts upon them; but they have been approved by the two Senators from the States concerned when they were handed in.

Mr. McNARY. Of course, this is a very unusual request; but in view of the fact that the session is about to close, I shall make no objection.

The PRESIDENT pro tempore. Without objection, the request of the Senator from Tennessee is agreed to, and the postal nominations are confirmed en bloc.

Mr. McKELLAR. I ask unanimous consent that the President be notified of the confirmation of the nominations.

The PRESIDENT pro tempore. Without objection, the President will be notified.

SAM M. DRIVER

Mr. BURKE. Mr. President, in reference to the nomination of Sam M. Driver to be United States attorney for the eastern district of Washington, I am authorized to submit a favorable report from the Committee on the Judiciary, and ask unanimous consent for the immediate consideration of the nomination.

The PRESIDENT pro tempore. Is there objection to the immediate consideration of the nomination? The Chair hears none. The nomination will be read.

The legislative clerk read the nomination of Sam M. Driver, of Washington, to be United States attorney for the eastern district of Washington.

The PRESIDENT pro tempore. Without objection, the nomination is confirmed.

Are there further reports of committees? If not, the clerk will state in order the nominations on the Executive Calendar.

THE JUDICIARY

The legislative clerk read the nomination of Walter E. Treanor, of Indiana, to be judge of the United States Circuit Court of Appeals for the Seventh Circuit.

The PRESIDENT pro tempore. Without objection, the nomination is confirmed.

COLLECTOR OF INTERNAL REVENUE FOR MINNESOTA

The legislative clerk read the nomination of Arthur D. Reynolds, of Minneapolis, Minn., to be collector of internal revenue for the district of Minnesota.

The PRESIDENT pro tempore. Without objection, the nomination is confirmed.

COLLECTOR OF INTERNAL REVENUE FOR WEST VIRGINIA

The legislative clerk read the nomination of F. Roy Yoke, of Morgantown, W. Va., to be collector of internal revenue for the district of West Virginia.

The PRESIDENT pro tempore. This nomination is adversely reported.

Mr. BARKLEY. I ask that the nomination be passed over.

The PRESIDENT pro tempore. Without objection, the nomination will be passed over.

UNITED STATES PUBLIC HEALTH SERVICE

The legislative clerk read the nomination of Robert H. Heterick to be medical director.

The PRESIDENT pro tempore. Without objection, the nomination is confirmed.

The legislative clerk read the nomination of James B. Ryon to be surgeon.

The PRESIDENT pro tempore. Without objection, the nomination is confirmed.

The legislative clerk read the nomination of Felix R. Brunot to be surgeon.

The PRESIDENT pro tempore. Without objection, the nomination is confirmed.

The legislative clerk read the nomination of Henry F. Canby to be passed assistant dental surgeon.

The PRESIDENT pro tempore. Without objection, the nomination is confirmed.

POSTMASTERS

The legislative clerk proceeded to read sundry nominations of postmasters on the Executive Calendar.

Mr. McKELLAR. I ask unanimous consent that the nominations of postmasters on the Executive Calendar be confirmed en bloc.

The PRESIDENT pro tempore. Without objection, the nominations of postmasters are confirmed en bloc.

That completes the Executive Calendar.

RECESS

The Senate resumed legislative session.

Mr. BARKLEY. I ask unanimous consent that the Senate stand in recess subject to the call of the Chair.

The PRESIDENT pro tempore. Is there objection? The Chair hears none, and the Senate will stand in recess.

Thereupon, at 4 o'clock and 19 minutes p. m., the Senate took a recess until 5 o'clock p. m., when it was called to order, and the Vice President resumed the chair.

MESSAGE FROM THE HOUSE

A message from the House of Representatives by Mr. Chaffee, one of its reading clerks, announced that the House had disagreed to the amendment of the Senate to the bill (H. R. 8730) to amend the National Housing Act, and for other purposes; agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. STEAGALL, Mr. GOLDSBOROUGH, Mr. REILLY, Mr. WOLCOTT, and Mr. FISH were appointed managers on the part of the House at the conference.

The message also announced that the House had agreed to a resolution (H. Res. 385), as follows:

Resolved, That a committee of two Members be appointed by the House to join a similar committee appointed by the Senate to wait upon the President of the United States and inform him that the two Houses have completed the business of the session and are ready to adjourn unless the President has some other communication to make to them.

And that pursuant to the above resolution the Speaker had appointed Mr. RAYBURN and Mr. SNELL members of the committee on the part of the House.

The message further announced that the House had agreed to a concurrent resolution (H. Con. Res. 28), in which it requested the concurrence of the Senate, as follows:

Resolved by the House of Representatives (the Senate concurring), That the two Houses of Congress shall adjourn on Tuesday the 21st of December 1937, and that when they adjourn on said day they stand adjourned sine die.

REPORT OF COMMITTEE TO NOTIFY THE PRESIDENT

Mr. BARKLEY. Mr. President, I wish to report to the Senate that the committee appointed by resolution adopted earlier in the afternoon to join a similar committee from the House of Representatives to wait upon the President have performed that duty. I am happy to report that the President instructed me to say that he has no further communication to submit to the Senate at this session.

FINAL ADJOURNMENT RESOLUTION

Mr. BARKLEY. Mr. President, I ask that the Chair lay before the Senate the concurrent resolution just sent over by the House of Representatives.

The VICE PRESIDENT. The Chair lays before the Senate a concurrent resolution from the House of Representatives, which will be read.

The legislative clerk read the concurrent resolution (H. Con. Res. 28), as follows:

Resolved by the House of Representatives (the Senate concurring), That the two Houses of Congress shall adjourn on Tuesday the 21st of December 1937, and that when they adjourn on said day they stand adjourned sine die.

Mr. BARKLEY. Mr. President, there being no further business to be transacted by the Senate at this session, I move that the concurrent resolution be agreed to.

The VICE PRESIDENT. The question is on the motion of the Senator from Kentucky that the concurrent resolution be agreed to.

The concurrent resolution was agreed to.

ADJOURNMENT SINE DIE

Mr. BARKLEY. I now move that the Senate adjourn sine die.

The motion was agreed to; and (at 5 o'clock and 2 minutes p. m.) the Senate adjourned sine die.

NOMINATIONS

Executive nominations received by the Senate December 21 (legislative day of November 16), 1937

UNITED STATES ATTORNEY

Sam M. Driver, Esq., of Washington, to be United States attorney for the eastern district of Washington, vice James M. Simpson, deceased. (Mr. Driver is now serving in this position under a court appointment.)

APPOINTMENT IN THE REGULAR ARMY

Col. John Jennings Kingman, Corps of Engineers, to be Assistant to the Chief of Engineers, with the rank of brigadier general, for a period of 4 years from date of acceptance, with rank from January 1, 1938, vice Brig. Gen. George B. Pillsbury, Assistant to the Chief of Engineers, to be retired December 31, 1937.

CONFIRMATIONS

Executive nominations confirmed by the Senate December 21 (legislative day of November 16), 1937

UNITED STATES CIRCUIT COURT OF APPEALS

Walter E. Treanor to be judge of the United States Circuit Court of Appeals for the Seventh Circuit.

COLLECTOR OF INTERNAL REVENUE

Arthur D. Reynolds, to be collector of internal revenue for the district of Minnesota.

FARM SECURITY ADMINISTRATION

Claude M. Evans, to be regional director of the Farm Security Administration, Department of Agriculture.

UNITED STATES ATTORNEY

Sam M. Driver, to be United States attorney for the eastern district of Washington.

UNITED STATES PUBLIC HEALTH SERVICE

Robert H. Heterick to be medical director.

James B. Ryon to be surgeon.

Felix R. Brunot to be surgeon.

Henry F. Canby to be passed assistant dental surgeon.

APPOINTMENT, BY TRANSFER, IN THE REGULAR ARMY

First Lt. William John Ledward to Field Artillery.

PROMOTION IN THE REGULAR ARMY

John Joseph Murphy, to be major, Infantry.

APPOINTMENT IN THE REGULAR ARMY

Col. John Jennings Kingman to be Assistant to the Chief of Engineers, with the rank of brigadier general.

POSTMASTERS

ALABAMA

Dezzie A. Littlejohn, Jemison.

COLORADO

Fred A. Eickhoff, Elbert.

ILLINOIS

Herman E. Rinkema, South Holland.
Samuel J. Kreider, Prairie City.

IOWA

Floyd A. Bishop, Mitchellville.
Oscar G. Sharp, Seymour.

KANSAS

Carl Willis Gilbert, Plainville.

MINNESOTA

Clarence E. Scheibe, Cloquet.

NEW MEXICO

Denzel Luther Lee, Dexter.

NORTH CAROLINA

Barron P. Caldwell, Marion.

OHIO

Floyd G. Young, Mendon.

SOUTH DAKOTA

Glennie Flathers Whites, Iroquois.

TENNESSEE

L. Irene Rose, Tazewell.

HOUSE OF REPRESENTATIVES

TUESDAY, DECEMBER 21, 1937

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Eternal God, our Father in Heaven, we bow before the throne of Him whose earthly life began with peace on earth, good will to men. He invested the child, the prodigal, and the poor with priceless worth. Blessed be the Lord God of our Savior, who, according to His abundant mercy, hath begotten us again unto a lively hope wherein we greatly rejoice. In the midst of earth's seething tides we lift our hearts to Thee. Pour forth Thy light and make the darkness visible, and let Thy holy mantle hover above the plains of night. O come anew to our land, sanctify all toil, right wrongs, heal grief and woe. Crown us all with the spirit of good will which makes good neighbors, good friends, and good citizens. O Star of the East, once again climb the midnight sky and again bless the world with the glad news of a Savior born. In His name. Amen.

The Journal of the proceedings of yesterday was read and approved.

PERMISSION TO ADDRESS THE HOUSE

Mr. DICKSTEIN. Mr. Speaker, I ask unanimous consent that after the disposition of business on the Speaker's table and following the special orders heretofore entered for today I may address the House for 25 minutes.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. DIES. Mr. Speaker, would it be in order to ask unanimous consent to address the House at the opening of the next session?

The SPEAKER. The Chair thinks it is not in order at this time.

EXTENSION OF REMARKS

Mr. RAMSPECK. Mr. Speaker, I ask unanimous consent that the gentleman from New York [Mr. CELLER] may have permission to extend his remarks in the Record and include therein a resolution and three short bills.

The SPEAKER. Is there objection to the request of the gentleman from Georgia?

There was no objection.

Mr. STEFAN. Mr. Speaker, I ask unanimous consent to extend my remarks in the Record and include therein a statement by Mr. H. J. Gramlich, of the Nebraska Department of Agriculture.